



Telford & Wrekin Housing Market Assessment – 2008 Update

Prepared for Telford & Wrekin Council

by Nevin Leather Associates

Revised April 2009 to incorporate updated house price data and income estimates

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Maps in this report are based on Ordnance Survey data which is used under the terms of the Council's licence. Data from the 2001 Census and additional data from ONS is used under the terms of click licence number C2007001313.

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1 Introduction

Aims

- 1.1 This report is a revised and updated version of the Strategic Housing Market Assessment for Telford & Wrekin originally undertaken in 2007. The purpose of the report is to provide a housing market and housing needs assessment for the Borough of Telford & Wrekin. The assessment of housing need focuses primarily on the administrative area of the local authority but the housing market assessment, as recommended in official guidance, takes account of surrounding areas which fall within the Telford & Wrekin housing market area (HMA). The definition of the HMA is derived from work carried out on behalf of the West Midlands Regional Assembly, in order to ensure consistency with other housing market assessments undertaken by neighbouring authorities (see Section 2).
- 1.2 The report draws on and updates the Council's most recent survey-based housing needs study published in 2004¹, together with a subsequent update in 2005.
- 1.3 A housing market assessment was carried out by Nevin Leather Associates LLP between July and October 2007, following the requirements of government best practice guidance². Appendix 1 sets out the main requirements of official guidance and indicates the sections of this report which provide the required information, or otherwise indicates how the requirements have been met. The assessment was revised in August 2008 to take account of the findings of a study of the C3 housing market area within the West Midlands region (which includes the Borough of Telford & Wrekin) carried out for the West Midlands Regional Assembly³, and to update the findings on affordable housing requirements on the basis of more recent data.

Methodology

- 1.4 The methodology for housing market assessment has involved (a) desk-based analysis of data, reports and other relevant information, (b) updated data

¹ Centre for Urban and Regional Studies, University of Birmingham (2004) *Housing needs in Telford & Wrekin 2001-2011* by Philip Leather and Sian Sankey.

² See DCLG *Strategic Housing Market Assessments Practice Guidance Version 2* (August 2007) and *Strategic Housing Market Assessments Annexes* (April 2007).

³ See *Strategic Housing Market Assessment for the C3 Housing Market Area of the West Midlands Final Report* Ecotec Research and Consulting (July 2008).

from the 2004 housing needs study, and (c) interviews with a range of experts and key stakeholders. Official guidance has moved away from requiring primary research to be undertaken to emphasising the opportunities available from using secondary data where this is robust. Nevin Leather Associates have developed a model to assess affordable housing requirements based entirely on secondary data sources and this has been used to produce up to date estimates of the requirement for affordable housing in Chapter 6.

- 1.5 Following the recommendations of official guidance, the report comprises sections covering the definition of the housing market area for assessment (Section 2); the policy context for the study (Section 3); the current housing market (Section 4); the future housing market (Section 5); housing need (Section 6); and the housing requirements of specific households (Section 7). Each section concludes with a list of key findings. Section 8 draws these findings together and provides a summary of the housing market assessment as a whole.

2 Defining the area for assessment

Introduction

2.1 This chapter examines evidence to determine the area for which a housing market assessment based on the Borough of Telford & Wrekin should be based. It goes on to identify sub-areas within the overall sub-regional housing market which can be used for the more detailed assessment of housing needs.

Telford & Wrekin

2.2 Telford & Wrekin is a unitary authority located within the West Midlands region to the west of the West Midlands conurbation. With an estimated population of 165,550 in mid 2007⁴, it is the largest urban area in the region outside the West Midlands and North Staffordshire conurbations. The settlements of Wellington, Oakengates and Dawley were designated as Telford New Town in 1968⁵, partly to help meet housing needs from the West Midlands conurbation and partly to assist in the physical regeneration of former mining and industrial areas. From the 1960s to the end of the 1970s, the town grew rapidly through planned overspill, mainly into social rented housing provided by the Telford Development Corporation. After the Development Corporation's programme of planned overspill came to an end, growth continued in the 1980s and 1990s through the continued development by private developers and builders of land previously designated under the New Towns Act which was prepared and released for development by the Commission for the New Towns and subsequently by English Partnerships. As a result, Telford has consistently been amongst the most rapidly growing settlements in the region over the last forty years.

2.3 The Borough of Telford & Wrekin, formed in 1974 and given unitary status in 1998, is made up of the town of Telford, together with the town of Newport to the north east, and a substantial, largely rural, area between these settlements and to the west. The Borough also includes the Iron Bridge Gorge World Heritage Site.

Identifying sub-regional housing markets

2.4 One of the most significant developments in housing and planning policy in recent years has been the realisation that effective policy-making must be

⁴ This estimate provided by Telford & Wrekin Council differs from the most recent official population projection – see Section 5 for further discussion.

⁵ Although Dawley New Town contain parts of Dawley, Wenlock, Oakengates, Wellington Rural District and Shifnal Rural District was designated in 1963.

grounded in an understanding of the operation of housing markets. This is a reflection of the predominance of owner occupation, even in areas such as Telford where there were previously high levels of social rented provision, and the growing significance of the private rented sector. Housing resources in the private sector are allocated by market mechanisms, and the ability of policy-makers to intervene to influence the market is limited. A better understanding of how markets work, and the potential impacts of public intervention in attempting to steer markets, is therefore essential if objectives such as increasing the level of affordable housing provision are to be achieved.

2.5 Research has confirmed that markets do not respect administrative boundaries. As a result, national policy documents such as PPS3 and official guidance stress the importance of collaborative working between local authorities where this is necessary. The first stage in this is to identify appropriate sub-regional housing market areas. Official guidance defines these as 'geographical areas defined by household demand and preferences for housing. They reflect the key functional linkages between places where people live and work.'⁶

2.6 Guidance suggests three sources of data to assist in identifying appropriate sub-regional housing markets:

- House prices and rates of change in house prices, which reflect household demand and preferences for different sizes and types of housing in different locations.
- Household migration and search patterns, reflecting preferences and the trade-offs made when choosing housing with different characteristics.
- Contextual data, such as travel to work areas, which reflect the functional relationships between places where people work and live.

2.7 Guidance recognises that there may be some overlap between sub-regional functional housing market areas, reflecting the fact that with increasing distance from economic centres, there is increasing choice about which settlements people relate most closely to in terms of work and day to day living. Furthermore, housing market areas may be comprised of smaller, more local sub-markets and neighbourhoods which can be aggregated together to identify sub-regional housing market areas. These will also be dynamic in their spatial extent, reflecting changing financial positions, household composition and the shared preferences of groups of households within the constraints of available supply.

⁶DCLG (2007) *Identifying sub-regional housing market areas: Advice note.*

Telford's housing market in context

2.8 The West Midlands Regional Assembly has undertaken work to identify housing market area boundaries across the region. Telford & Wrekin was identified as part of the Central housing market area (one of four housing market areas in total across the region) in initial work carried out by the University of Sheffield⁷. Recognising that these four areas were too large to form housing market areas in the sense envisaged by official guidance, the Regional Assembly further subdivided them on the basis of further research⁸. The Central housing market area was divided into three sub-areas of which Telford & Wrekin comprises part of area C3, together with the Black Country, Cannock Chase and South Staffordshire. This area corresponds with the administrative boundary of the Borough. The C3 sub-regional housing market area partnership (HMAP) was established to support work on the review of the Regional Spatial Strategy and the development of the Regional Housing Strategy⁹.

2.9 This work was carried out in advance of the latest guidance on housing market assessment. It drew mainly on data on house prices across the region to identify housing market areas. Subsequently, the Regional Assembly commissioned further work to consider the significance of travel to work and migration data in defining sub-regional housing market areas in the region, in line with official advice¹⁰. This study highlighted 36 sub-regional HMAs in the West Midlands, one of which was the Telford Housing Market Area (Figure 2.1). The areas were not constrained to local authority boundaries.

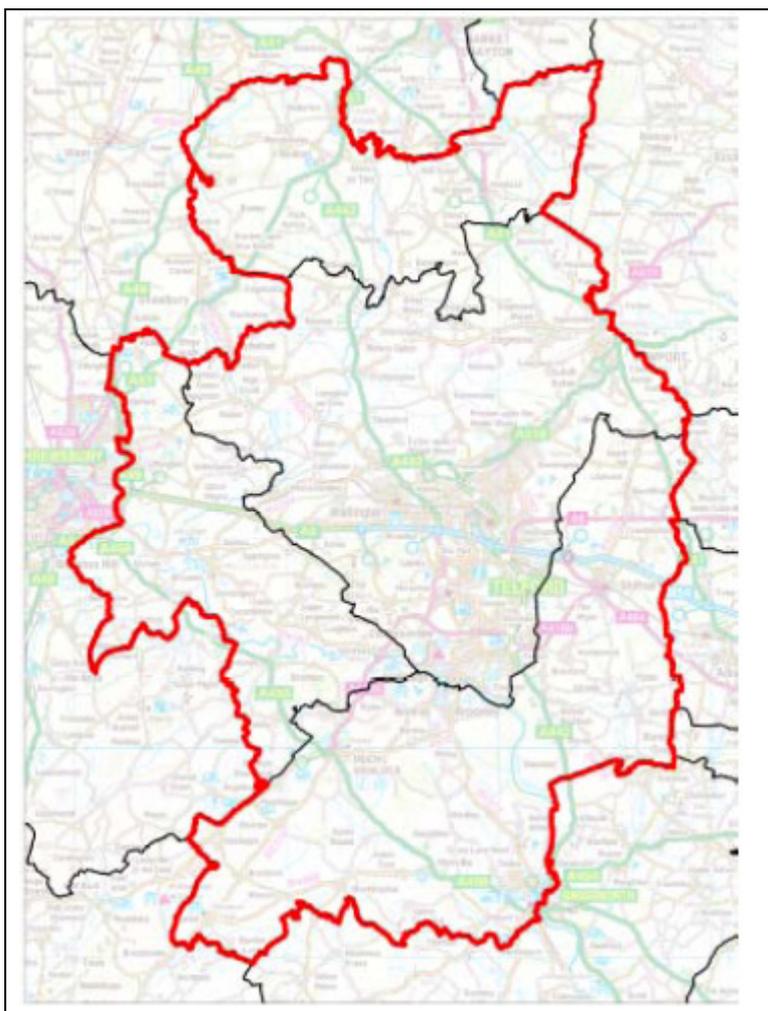
⁷ University of Sheffield (undated) *West Midlands Regional Housing Strategy 2005, Defining housing market areas*, West Midlands Regional Assembly

⁸ University of Sheffield (undated) *West Midlands Regional Housing Strategy 2005, Central HMA, sub-region report*, West Midlands Regional Assembly

⁹ See WMRA Regional Housing Partnership (2005) *Briefing and Update on Housing Market Areas: Implementation and Development for Local Authorities in the West Midlands, RSLs and other stakeholders*. The C3 sub-regional housing market area partnership is made up of Telford & Wrekin together with the Boroughs of Wolverhampton, Walsall, Dudley and Sandwell, South Staffordshire and Cannock Chase.

¹⁰ Ecotec Research and Consulting (2006) *Study into the Identification and Use of Local Housing Market Areas for the Development of the Regional Spatial Strategy Final Revised Technical Report*

Figure 2.1 The Telford Housing Market Area



Source: **Study into the Identification and Use of Local Housing Market Areas for the Development of the Regional Spatial Strategy** Final Revised Technical Report, Ecotec Research and Consulting, October 2006

2.10 Taken together, the two Regional Assembly studies suggest that the administrative area of Telford forms the core of a housing market area, but also exercises strong influence on parts of surrounding districts as shown in Figure 2.1. The research on which this conclusion is based drew on migration, travel to work, house price and other data. In line with official guidance¹¹. It also involved widespread consultation with planning and housing authorities and developers across the region. It thus provides a robust basis to determine that the appropriate sub-regional HMA boundary for this study should centre on the Borough administrative area but take account of wider influences on surrounding areas.

¹¹ DCLG (2007) *Identifying sub-regional housing market areas: Advice note.*

Additional analysis

- 2.11 The Regional Assembly study was constrained by the objective of producing a network of areas which did not overlap with one another. For the purposes of this housing market assessment, it is important to identify the full extent of areas falling within the influence of Telford, in order to give a full picture of the operation of the housing market. Data was therefore re-examined to assess the extent to which the boundaries of an appropriate HMA might extend further and overlap with neighbouring areas.
- 2.12 There is no doubt that Telford should form the basis of a sub-regional housing market area within the region. Outside the MUAs, Telford & Wrekin is the only significant 'destination node' in the West Midlands Region identified in recent DCLG research on city regions¹². Birmingham/Sandwell/Wolverhampton, Coventry, and Stoke were the only other destination nodes in the West Midlands region. The criteria used to identify potential city region foci included net inward commuting, a significant employment base, and recognition in various studies as being a significant urban area or higher order retail centre. This is clear evidence that Telford & Wrekin, as a significant employment centre, should form the 'core' of an HMA area.
- 2.13 Travel to work patterns are a strong indicator of housing market linkages between areas. They indicate areas which have significant economic relationships with major employment centres, as a result of location decisions and patterns of migration which have built up over a considerable period of time. In that sense, they provide a better indication than migration data which reflects patterns of movement in one, or at best over a small number, of years.
- 2.14 In terms of travel to work, the 2001 Census indicates that Telford is a significant net importer of labour (Table 2.1), ranked seventh in the region. Despite this, a relatively small proportion of Telford's residents commutes out of the Borough (13%) and a relatively small proportion of the workforce of the Borough commutes in (26%), making it one of the more sustainable authorities in the region in these terms.

¹² Robson B, Barr R, Lymeropoulou K, Rees J and Coombes M (2006) *A framework for City-Regions: Working Paper 1 Mapping City-Regions*, Office of the Deputy Prime Minister, London 2006)

Table 2.1 Commuting in the West Midlands 2001

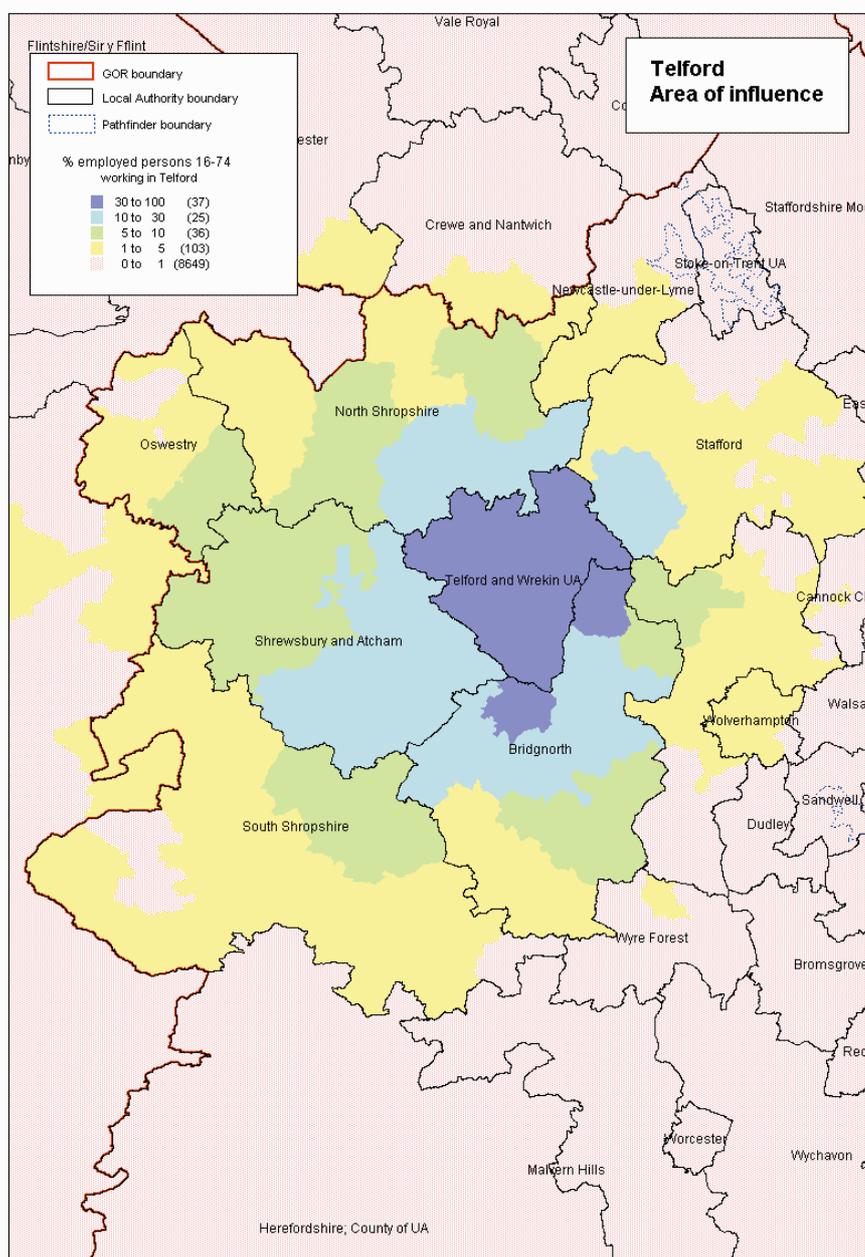
Authority	Resident population of working age	Commuting out	Commuting in	Net commuting in	Workplace population of working age
Birmingham	680,059	78,922	162,498	83,576	450,717
Coventry	214,833	31,775	48,022	16,247	141,971
Stoke-on-Trent	174,247	27,142	40,128	12,986	111,803
Wolverhampton	168,606	34,061	43,568	9,507	104,433
Sandwell	199,635	50,406	57,120	6,714	120,276
Warwick	92,842	21,144	27,588	6,444	69,102
Telford and Wrekin	114,225	15,169	20,629	5,460	79,840
Worcester	68,096	15,115	19,239	4,124	51,127
East Staffordshire	74,442	15,371	18,055	2,684	51,101
Rugby	63,029	16,214	16,581	367	43,651
Shrewsbury and Atcham	68,919	11,253	11,503	250	46,396
Stafford	88,991	18,777	18,504	-273	58,488
Solihull	142,437	48,958	48,072	-886	92,514
Walsall	180,623	41,448	40,543	-905	104,685
North Warwickshire	45,476	17,646	16,504	-1,142	29,391
Oswestry	26,611	5,483	3,968	-1,515	15,704
South Shropshire	28,968	5,772	3,767	-2,005	16,207
North Shropshire	41,268	10,038	6,355	-3,683	23,150
Redditch	57,370	15,937	12,221	-3,716	36,542
Stratford-on-Avon	81,560	22,677	18,835	-3,842	52,701
Herefordshire	124,824	12,631	8,635	-3,996	77,293
Malvern Hills	51,498	14,316	9,025	-5,291	28,123
Bridgnorth	39,303	12,114	6,781	-5,333	21,693
Lichfield	68,638	23,439	16,900	-6,539	39,624
Wychavon	82,340	24,341	16,701	-7,640	48,546
Tamworth	54,147	18,194	10,019	-8,175	28,837
Newcastle-under-Lyme	89,812	27,417	19,029	-8,388	46,599
Cannock Chase	67,138	21,893	12,815	-9,078	34,922
Wyre Forest	71,041	17,336	7,360	-9,976	37,185
Bromsgrove	63,823	25,403	15,227	-10,176	33,175
Staffordshire Moorlands	69,753	22,065	8,115	-13,950	31,646
Nuneaton and Bedworth	86,179	27,675	12,967	-14,708	41,905
Dudley	221,725	54,315	37,559	-16,756	123,179
South Staffordshire	78,326	35,275	13,825	-21,450	30,977

Source: 2001 Census

2.15 Figure 2.2 shows where labour travels from. The purple shading shows an area from which are least 30% of people travelled to Telford & Wrekin, blue shading an area from which 10-30% of people travelled, and green shading an area from which 5-10% travelled. Although these levels of travel may seem low, only 40% of people nationally crossed a local authority boundary to travel to work in 2001, so if 10% of employed travel from an adjacent area to Telford, this represents 25% of all potential travellers. Setting aside the Borough itself, the main 'catchment' areas for travel to Telford are adjacent districts, with a greater

propensity to travel to Telford from the west than from the east, where employment centres in Wolverhampton and Stafford compete with Telford.

Figure 2.2 Telford: area of influence in terms of travel to work



Source: 2001 Census

2.16 Travel to work distances increase markedly with income, and for higher status managerial and professional employees, so the outer green zone on Figure 2.2 approximates to the area from which these employment groups travel. By this measure, Bridgnorth, Shrewsbury and Atcham, and North Shropshire have very strong travel to work linkages to Telford & Wrekin, whilst Stafford, South Staffordshire, South Shropshire and Oswestry have somewhat weaker linkages.

2.17 Migration patterns also give an indication of economic linkages between areas, but can be more difficult to interpret because:

- Migration, like travel to work, is made up of two-way flows between locations. In the case of travel to work these tend to be skewed towards major employment centres such as Telford. For migration, flows are typically more balanced, and net migration flows are much smaller, because migration reflects the full range of potential residential locations.
- Migration patterns include both short distance moves within and around major employment centres, often associated with a change of housing or living circumstances rather than employment, and longer distance moves, which tend to be linked to employment change, retirement, or some other major life change. For the purposes of defining housing market areas, these longer distance moves need to be discounted. However, longer distance moves (such as the inflow of young people from other parts of the UK, the flow of international migrants, or the flow of retirees) are important in housing because of their impact on demand.
- There is also a need to recognise that migration data may capture differing types of movement. Data sources rarely capture moves out of the country, and may not capture all moves into the country from abroad. The treatment of student movement in migration also has a significant impact. However, these problems do not necessarily detract from the ability to draw broad conclusions about migration patterns, and data sources are available which provide information on changing patterns of movement over time.

2.18 The 2001 Census provides detailed information on migration flows, but time series data is available from ONS showing flows at local authority level. Movements between Telford and five other zones have been examined over the period 1998-2004. The zones are:

- Closely adjacent authorities: Stafford, South Staffordshire, Bridgnorth, Shrewsbury and Atcham, North Shropshire and South Shropshire;
- The Black Country: Wolverhampton, Walsall, Sandwell and Dudley;
- The rest of the West Midlands County – Birmingham, Solihull and Coventry;
- The rest of the West Midlands Region, plus Powys because it is as close to or closer to Telford than eastern parts of the region;
- The rest of England and Wales.

2.19 Table 2.2 shows the strength of the migration links between Telford and other local authorities in these zones, measured in terms of propensity. Propensity is the combined migration flow in each direction, standardised against populations of both areas to discount for the effect of size. It is clear that links with adjacent authorities are by far the strongest, and that the pattern of these linkages is consistently the strongest over the 1998-2004 period. In this sense, Telford is a 'normal' authority with migration dominated by short distance moves associated with changing housing circumstances rather than employment change. The next strongest links are with the Black Country, again because of its relative proximity, but these linkages are only about one fifth as strong as those with adjacent authorities. Links with the rest of the region are much weaker, with Birmingham having if anything weaker linkages than the average for the rest of the region.

Table 2.2 Strength of migration linkages between Telford and other areas in England and Wales, 1998-2004

Propensity	98-99	99-00	00-01	01-02	02-03	03-04
Adjacent authorities	4.6	4.9	4.7	4.9	5.0	4.8
Black Country	1.0	1.0	1.0	0.9	0.8	0.9
Rest of WM County	0.3	0.4	0.4	0.4	0.3	0.4
Rest of WM Region plus Powys	0.4	0.4	0.5	0.5	0.5	0.5
Rest of England and Wales	0.1	0.1	0.1	0.1	0.1	0.1

Source: ONS Migration statistics

2.20 Looking at linkages between individual authorities Table 2.3 shows the strongest migration relationships for Telford and other selected authorities nearby. For Telford, these are the three authorities identified from the travel to work analysis. The table also shows that authorities to the east of Telford – Wolverhampton, Dudley, Stafford, and South Staffordshire - have their strongest links with one another rather than with Telford; and that Birmingham and Sandwell are not strongly linked to Telford in migration terms.

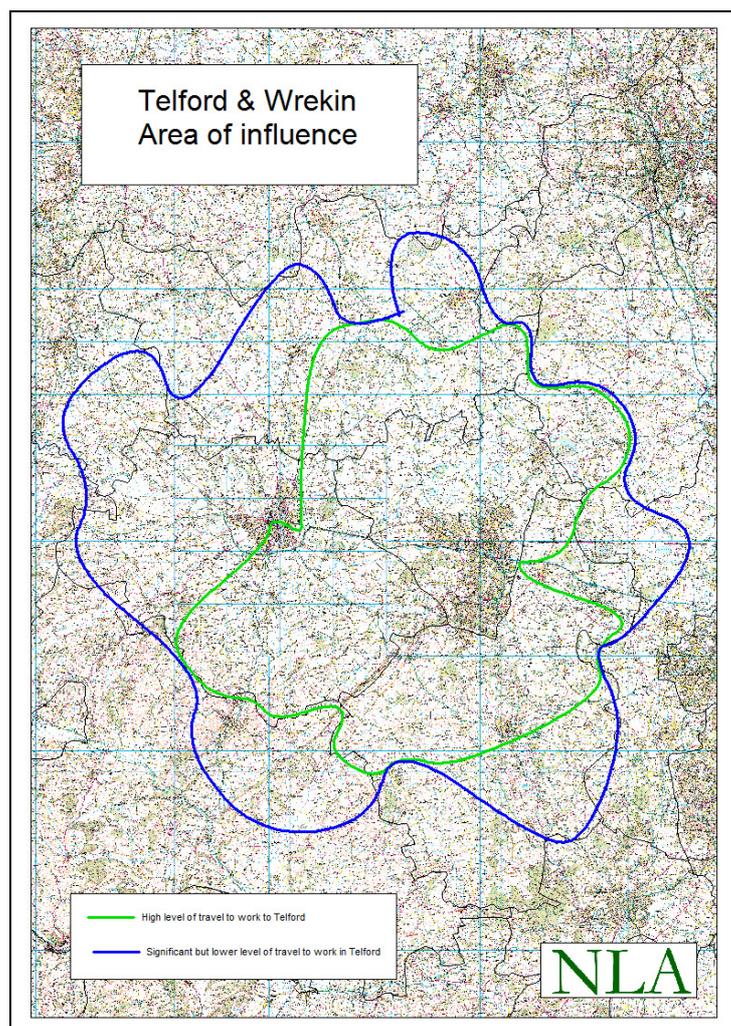
Table 2.3 Strongest migration linkages, selected authorities 2003-04

Authority	Rank 1	Rank 2	Rank 3
Telford	Bridgnorth	Shrewsbury and Atcham	North Shropshire South
Bridgnorth	Telford and Wrekin	South Shropshire	Staffordshire
Shrewsbury and Atcham	North Shropshire	South Shropshire	Oswestry
North Shropshire	Oswestry	Shrewsbury and Atcham	Telford and Wrekin
South Staffordshire	Cannock Chase	Wolverhampton	Bridgnorth South
Stafford	Stoke-on-Trent	Cannock Chase	Staffordshire
Wolverhampton	South Staffordshire	Walsall	Bridgnorth
Dudley	Sandwell	South Staffordshire	Wyre Forest
South Shropshire	Shrewsbury and Atcham	Bridgnorth	Herefordshire
Birmingham	Solihull	Bromsgrove	Sandwell
Sandwell	Dudley	Walsall	Birmingham

Source: ONS Migration statistics

2.21 This analysis confirms the picture suggested by travel to work analysis, and suggests a housing market area based on Telford made up of adjacent authorities with a bias toward the west. Further analysis drawing on ward level travel to work and migration data suggests the area shown in green in Figure 2.2. This approximates to the boundary of the sub-regional market highlighted in the Ecotec study (Figure 2.1), but extends somewhat wider than this, reflecting the existence of areas of overlap.

Figure 2.3 Housing Market area centred on Telford & Wrekin



2.22 In an ideal world, this study would focus on this sub-regional HMA. However, in practice, many data sources are only available at an aggregate local authority level, or only cover the area of the Borough of Telford & Wrekin. Official guidance recognises this and suggests that local authorities will want to consider, for the purposes of developing evidence bases and policy, using a pragmatic approach that groups local authority administrative areas together as an approximation for functional sub-regional housing market areas. This might mean grouping Telford & Wrekin with adjacent authorities in a combined HMA, but the Regional Assembly study suggests that the Borough alone might form an appropriate unit of assessment on this basis.

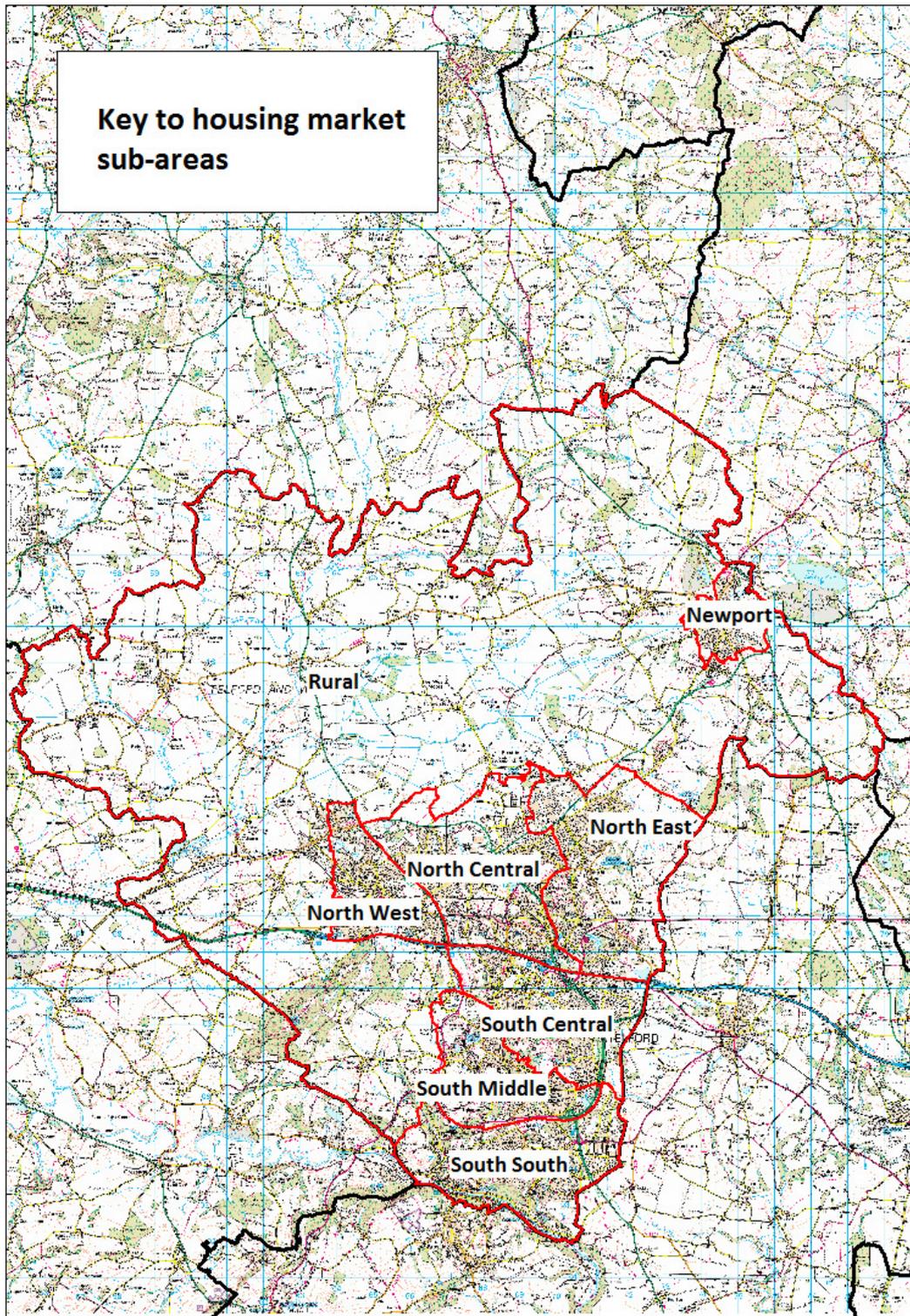
2.23 The brief for this study indicated that analysis of the housing market is required more urgently in order to feed into current planning and housing policies and plans. Hence this study will focus primarily on Telford & Wrekin, but making reference to a wider area when this is practical and appropriate.

Sub-markets within Telford & Wrekin

2.24 The analysis which follows in Chapter 4 will demonstrate that the wider Telford & Wrekin housing market area is a coherent one which makes good sense in terms of housing market analysis. This analysis also suggest that within the overall housing market, there is a threefold division between Telford (broadly corresponding to the present built up area of the town), Newport, and the remaining rural areas of the Borough. By and large, the Telford housing market has lower housing values, higher levels of social rented and privately rented housing, lower incomes, and higher levels of deprivation. The rural areas have higher values and are predominantly owner occupied, with much higher average incomes. Newport is a separate settlement (although not self contained in the sense that many residents work in Telford or elsewhere) which falls between Telford and the rural areas, although it too generally has high values and high incomes. This is of course an over-simplification. Within Telford there are many areas of higher values and incomes, and within the rural areas there are many households on low incomes experiencing severe affordability problems.

2.25 In the 2004 Housing Need Study, the Borough was divided into eight housing market sub-areas for analysis, to enable evidence on housing needs to be presented at a finer grain to feed into planning policy. These broadly recognise Newport and the rural areas, but further sub-divide Telford into six sub areas, split by the M54 which experience suggested formed a significant physical barrier and one which was reflected in housing markets. Evidence on affordable housing needs has been updated in this study for these eight housing market sub-areas. Figure 2.4 below shows the boundaries of these sub-areas for reference.

Figure 2.4 Boundaries of housing market sub-areas



3 Policy context

Introduction

3.1 This report is a technical analysis forming part of the evidence base for housing and planning policies within the Borough. It is not a policy document in itself. However, it is useful to highlight some key elements of the policy background. It is also important to note that the policy background is constantly evolving and will require updating at frequent intervals.

National policy background

3.2 The change of Prime Minister in mid-2007 and associated reviews of government policies in many areas have had a significant impact on national housing and planning policy. The 2007 Housing Green Paper, *Homes for the future: more affordable more sustainable* is the most recent statement of government aims and objectives in relation to housing.

3.3 On the basis of concerns about the currently high costs of housing relative to incomes, and in the context of demographic and household forecasts for the next two decades showing substantial growth, the Green Paper sets out proposals for **measures to increase overall and affordable housing supply**. These include the creation of a new homes agency to assist in delivery, a continuation of the new growth points programme under which selected local authorities are given support to identify and bring forward sites for additional housing, and measures to review regional plans for future housing provision to ensure that these reflect anticipated demand. There is also recognition of particular problems with the lack of affordable housing in rural areas.

3.4 Telford & Wrekin was one of 29 local authorities which were successful in securing growth point status under a previous round of invitations in 2006. This provided funding for further work to support infrastructure projects and growth-related studies, master planning and capacity-building. Levels of growth will however be subject to testing and public consultation through normal regional and local planning processes to ensure that individual proposals are sustainable, acceptable environmentally and realistic in terms of infrastructure.

3.5 Revised national household forecasts issued in 2007 anticipate an increase of 26% in the number of households in England in the twenty five years between 2004 and 2029. This is driven in part by a continuation of the trend towards increasing numbers of single person households, but the most significant driver is

the increase in the adult population, largely a result of net in migration from abroad.

3.6 Following the recent Hills Review of Social Rented Housing, the Green Paper also highlights the government's desire to extend the progress made in improving quality within the social housing stock in recent years by broadening housing choice and creating a better social mix in areas with high proportions of social housing.

3.7 Policies for housing market renewal (HMR) in areas where housing markets are weak and where prices have fallen seriously behind those of surrounding areas also remain a priority. In addition to the nine HMR pathfinders, the government has supported other areas in the development of policies to tackle these problems, including the Black Country and Telford. In future, market renewal policies will focus more strongly on making a contribution to increased housing supply.

3.8 HM Treasury also recently published the findings of its *Review of Sub-National economic development and regeneration*. This emphasises the importance which the government attaches to measures to maintain economic prosperity in the face of globalisation and technological change. The review emphasises the need for housing policies to contribute to economic prosperity by ensuring that there is a sufficient supply of affordable housing.

3.9 To ensure that prosperity is spread across all regions, the government has proposed that the Regional Development Agency in each region should take responsibility for preparing a single regional strategy with a clear focus on improving economic growth. In addition, it is proposed that the responsibility for regional planning vested in the Regional Planning Body (RPB) should transfer from the West Midlands Regional Assembly to Advantage West Midlands, the Regional Development Agency.

3.10 The government's policies for the management of the national economy also exert an influence on the housing market. The key objective is the management of the rate of inflation which is undertaken by the Bank of England through the manipulation of interest rates. Concerns about inflation have led to a number of increases in the Bank interest rate since 2003 reaching 5.75% in mid-2007. According to the Council of Mortgage Lenders mortgage interest payments have reached the highest level for 15 years. In April 2007, first time buyers were

paying 18.7% of their income on mortgage interest and home movers were paying 16.3%¹³.

3.11 Planning Policy Statement 3 Housing (PPS3) published in 2006 sets out the government's expectations on how the planning system should deal with key housing issues. The central features of the approach are the development of sub-regional housing market assessments and land availability assessments to identify the future requirement for housing and to assist in developing policies to facilitate an adequate supply of land for development.

Regional policies

3.12 The Regional Development Agency Advantage West Midlands, and the Regional Assembly currently take the main responsibility for a range of regional strategies, although as indicated above the government has recently set out proposals for modification to this system. Currently, the most relevant strategies for housing market assessments are the Regional Economic Strategy (RES), the Regional Housing Strategy (RHS) and the Regional Spatial Strategy (RSS).

Regional economic strategy

3.13 The Regional Economic strategy is prepared and reviewed by the West Midlands Regional Development Agency, Advantage West Midlands. The RES¹⁴ is currently under review with an update due to be published in 2007. The main aims of the updated RES are to increase economic growth by facilitating business growth, improving competitiveness and exploiting knowledge. However the strategy also seeks to develop sustainable communities and to regenerate deprived areas within the region, to improve the transport infrastructure and the availability of high quality sites for new businesses, and to improve workforce skills. For Telford & Wrekin the main proposals are:

- the further development of the Wolverhampton-Telford Technology Corridor building on the area's strengths in automotive and electronic engineering, polymers, building technologies, business and leisure tourism and business and professional services, and the development of knowledge assets at Harper Adams College and the University of Wolverhampton,

¹³ Council of Mortgage Lenders Market Commentary, August 2007.

¹⁴ Advantage West Midlands (2004) *West Midlands Economic Strategy (WMES): Delivering Advantage*, and Advantage West Midlands (2007) *West Midlands Economic Strategy May 2007 Consultation Draft*.

- • Revitalising the industrial estates to ensure that the abundant supply of serviced employment land fully meets the requirements of the market and/or employment sectors targeted for growth.

Regional Housing Strategy

3.14 Regional housing policies are developed by Regional Housing Boards (RHBs) under the auspices of the Regional Assemblies. The RHBs currently advise the Secretary of State on the allocation of housing resources to local authorities through regional housing strategies. The *West Midlands Regional Housing Strategy 2005* was recently updated by the *West Midlands Housing Allocations Strategy 2008 - 2011*¹⁵, which contained a commitment to four key priority areas to guide resource allocation over the next three years:

- To deliver a wide choice of housing, both affordable and market, to meet the needs of all sectors of the community, including a particular focus on the supply of social rented housing;
- To deliver improvements in the affordability of market housing (both owner occupied and rented) by means of a better balance between the supply of and demand for housing;
- To deliver an increase in the condition of housing in all sectors to the Decent Homes standard, coupled with regeneration of the most deprived areas through the Housing Market Renewal Pathfinder and through funding provided as part of the Regional Housing Pot
- To deliver the creation and maintenance of sustainable, inclusive and mixed communities in all areas – both urban and rural.

3.15 As discussed in Chapter 2, in the West Midlands, six sub-regional housing market area partnerships (HMAPs) have been established to develop strategies at the sub-regional level¹⁶. Telford & Wrekin is within area C3. To meet the requirements of the recent Green Paper, sub-regional working will become increasingly important.

3.16 Telford & Wrekin forms one HMAP with the four Black Country authorities, as a close alliance has developed through joint work on housing market renewal, but the Regional Housing Board also recognises that the Borough has a strong set of links with Shropshire and adjacent parts of Staffordshire. The analysis of travel

¹⁵ West Midlands Regional Housing Secretariat (2005) *Sub Regional Housing Market Area Partnership Briefing Note 5: Process to finalise the West Midlands Housing Allocations Strategy 2008 – 2011*.

¹⁶ WMRA Regional Housing Partnership (2005) *Briefing and Update on Housing Market Areas: Implementation and Development for Local Authorities in the West Midlands, RSLs and other stakeholders*.

to work and migration linkages above suggests that in practice the Borough's links with adjacent authorities in Shropshire and Staffordshire are more significant than links with the Black Country, but also that housing market weaknesses in South Telford have much in common with the problems faced in the more urban areas of the Black Country.

- 3.17 A key requirement set out in PPS3 Housing is that housing and related policies in Regional Spatial Strategies (RSS) and Local Development Documents should be based on a strong understanding of how housing markets operate through strategic housing market assessments. The recent Housing Green Paper also made clear the government's intention that the planning system should reflect recent demographic and household projections through reviews of RSS.

Regional Spatial Strategy

- 3.18 The regional planning framework is provided by the West Midlands Regional Spatial Strategy (RSS). The current framework for the West Midlands is provided by former Regional Planning Guidance (RPG11) which became the Regional Spatial Strategy under the Planning and Compulsory Purchase Act 2004. However, some aspects were identified as requiring early revision, and the housing aspects are currently being reviewed, although the main policy thrust will remain unaltered. The current RSS, which is based on the previous Regional Planning guidance, identifies Telford as a sub-regional growth focus point. In terms of new housing, RSS provides for a continuation of past growth, with target provision of 1,300 dwellings per annum from 2001-2011 and 700 dwellings per annum from 2012-2021. The reduced level of growth in the second part of the plan period caters mainly for locally-generated housing requirements and reflects the objective of refocusing development on the conurbations to contribute to urban renaissance.
- 3.19 RSS is currently undergoing a staged review. Phase 1 dealt entirely with the Black Country. This was the subject of an Examination in January 2007. Phase 2 deals with housing, employment land, and retail provision at the strategic regional centres level (including Telford centre). Consultations on Phase 2 of the RSS Review were completed in March 2007, and a preferred option will be developed for submission to the Secretary of State at the end of 2007.
- 3.20 Consideration of the appropriate level of housing provision in Phase 2 has been driven by pressure from government to take account of new household projections for the region which show an increased level of growth over the next two decades. As an existing growth focus point, and an area with significant reserves of potential housing land, Telford is likely to be proposed in the Draft

RSS Phase 2 Review as an area for increased future housing provision, although at the time of writing the preferred RSS option is not yet published. Option 2 of the RSS Phase 2 Revision Spatial Options report proposed a total of 30,000 additional dwellings for the Borough over the 2001-2026 period. In October 2007, Telford & Wrekin Council indicated that it was minded to support a housing growth level around Option 2 subject to the provision of the necessary infrastructure to support this level of growth. In practice this means 26,500 dwellings from 2006-2026, taking account of actual completion levels over the 2001-2006 period.

3.21 The publication of draft RSS will be followed by an Examination in Public and a report by the panel conducting this process to the Secretary of State, after which the proposals will if necessary be amended before adoption early in 2009. Any development planning at local level must conform with the existing RSS and provide the flexibility to take on board any changes emerging from the review process.

Sub-regional housing market assessment

3.22 The C3 sub-regional housing market area partnership (HMAP) commissioned a sub-regional housing market assessment and the report of this assessment has recently become available¹⁷. This covers the areas of the seven local authorities forming the partnership, including Telford & Wrekin.

3.23 The report provides:

- A review of past trends and current features of the housing market in each local authority.
- A brief review of the implications of the credit crunch
- An examination of future prospects for demographic change.
- A review of the implications of regional economic projections for the sub-region.
- Consideration of three alternative scenarios for future house price change.
- An assessment of affordable housing requirements.
- An assessment of the housing requirements of specific groups.

¹⁷ See *Strategic Housing Market Assessment for the C3 Housing Market Area of the West Midlands Final Report*, ECOTEC Research and Consulting (July 2008)

- A review of sub-markets within the C3 area. Three sub-markets are identified within Telford & Wrekin, but unfortunately these are not compatible with those used in this and previous housing need studies and results cannot be compared.

3.24 The C3 study is generally less detailed in its coverage of past and current market trends, as would be expected given the much larger area which it covers. Likewise, in looking ahead at future demographic and economic change, the C3 report uses less detailed demographic and economic forecasts. Where relevant, comparisons are made in the chapters below between the findings of this report and the results of the C3 assessment, and the factors leading to differences are examined. In particular, Chapter 6 compares the C3 housing market assessment estimate of affordable housing requirements with the assessment forming part of this study.

Local policies

3.25 The Telford Community Strategy 2006-2011 *Transforming Telford & Wrekin: from new town to modern city* produced by the Telford & Wrekin Partnership sets out the over-arching strategy for the Borough. There are six community priorities:

- Transforming the physical infrastructure needed to accommodate further sustainable population and employment growth and regenerate the more deprived areas;
- Meet the educational, social and health needs of children and young people;
- Manage pressures on the environment through reducing and recycling waste, providing alternative transport solutions to the car, and creating quality public space;
- Strengthening communities by reducing crime and anti-social behaviour, capacity building, and celebrating diversity;
- Improving health and reducing inequalities in health, and providing care services within the community;
- Promoting and supporting new and existing businesses, and ensuring that local people have the required skills and training to successfully compete for jobs.

3.26 The Wrekin Local Plan, adopted in 2000, provides the current local planning policy framework. This plan expired in 2006, but the planning system provides for some policies in the plan to be 'saved' for a limited period. Under the Planning and Compulsory Purchase Act 2004, the framework for local plans was

modified and requires the preparation of a portfolio of Local Development Documents (LDDs) which together will form the Local Development Framework (LDF).

- 3.27 The Core Strategy is the overarching policy document that sets out the vision, objectives and strategy for the LDF. All other plans and policies must conform with the strategy set out in this document. Telford & Wrekin's Core Strategy was submitted to the Secretary of State in 2006 and examined through written representations and a series of public hearing sessions between May and June 2007. The two Inspectors for the Secretary of State found the document to be sound to 2016. Following the submission of their report which was binding on the Council, the Core Strategy was adopted on 1st December 2007.
- 3.28 The Council is now progressing with the preparation of a Land Allocations Development Plan Document (LADPD) which will allocate land in the Borough for housing, employment, and other land uses over the period to 2016. The expectation is for submission of this document in Spring 2009.
- 3.29 A Central Telford Area Action Plan is also being prepared alongside the LADPD. This will establish a spatial vision for the Central Telford area, together with preferred policies and proposals for the redevelopment of the town centre and surrounding areas.
- 3.30 The Council intends to prepare a Supplementary Planning Document on affordable housing during 2009 to provide additional details on the Council's approach to this topic, expanding on such issues as the legislative background for affordable housing, the principles of provision and the definitions of different types of affordable provision.
- 3.31 The findings of this study form important components of the evidence base for a number of LDF documents. These include those focused on housing and related issues across the Borough and those relating to housing and other development in specific locations.
- 3.32 Like other local authorities, Telford & Wrekin prepares and periodically updates a housing strategy for the Borough¹⁸. This is itself an overarching document which draws together strategies to deal with issues such as homelessness, private sector housing renewal, supporting people, and the housing requirements of people from Black and minority ethnic communities.

¹⁸Borough of Telford & Wrekin (2003) *A question of balance: a growing and sustainable community: Housing Strategy 2003-2006*.

Previous housing need studies and this housing market assessment will form an important component of the evidence base for housing strategy in the future.

4 The current housing market

Introduction

4.1 This chapter examines the current housing market in Telford & Wrekin. It considers the demographic and economic context, the housing stock and how it has changed in recent years, indicators of market activity including house prices and affordability, and brings these together to provide an overview of key drivers in the market, the balance between supply and demand, and the key issues for future strategy.

The current demographic profile

4.2 Table 4.1 shows past trends in the overall population of Telford & Wrekin, drawing on estimates made by ONS and those produced by the Council using its internal population projection and household projection models. Figure 4.1 shows year to year rates of change over the 1981-2007 period. The population of Telford & Wrekin has increased consistently by an average of 1.2% per annum over the last 25 years. These figures draw on ONS and DCLG mid-year estimates. Telford & Wrekin Council feels that since 2001 ONS estimates have underestimated population growth in the Borough, and have produced alternative estimates using a different model and drawing on local information about the level of occupancy of new dwellings¹⁹. The base year for these estimates is 2001. In 2005, this suggested that ONS estimates underestimated population in the Borough by over 2,000 or 1.3%. The differences become more substantial in future years (see Section 5).

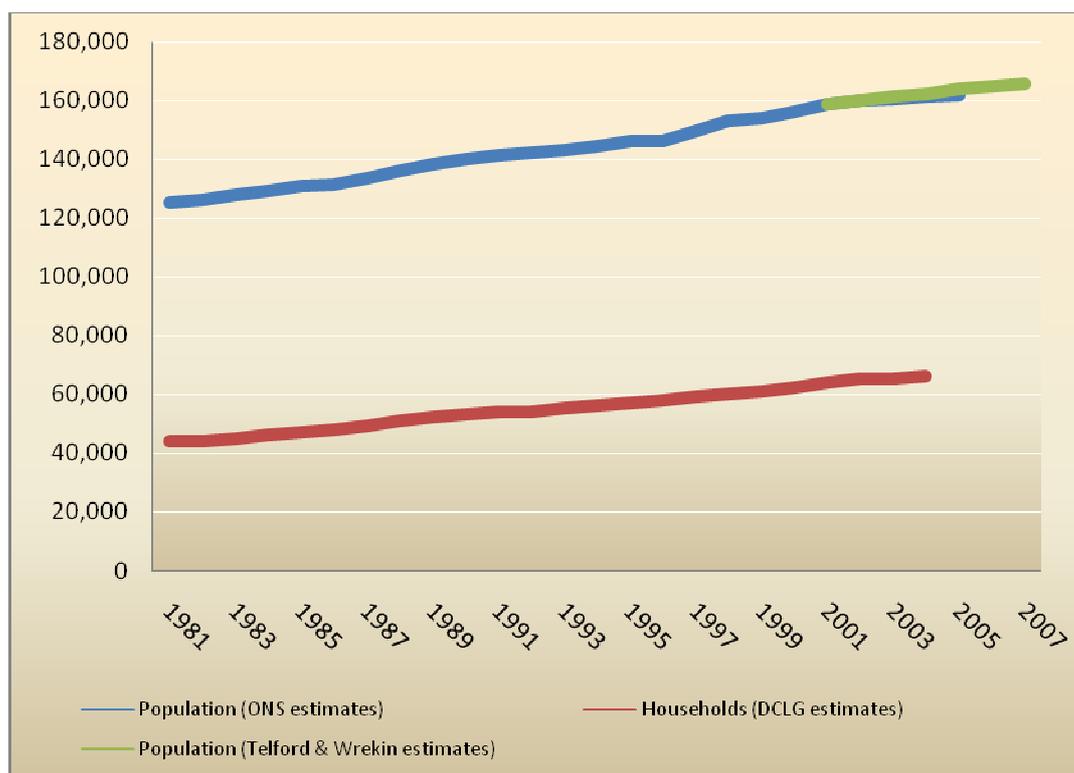
¹⁹ The POPGROUP software developed by Bradford Council, the University of Manchester and Andelin Associates

Table 4.1 Population and households in Telford & Wrekin 1981-2007

Year	Popul- ation (ONS)	% incr on prev year	House- holds (DCLG)	% incr on prev year	Average house- hold size	Popul- ation (Telford & Wrekin CI)	% incr on prev year	Diffce betw ONS and Telford projs
1981	125,500		43800	NA	2.87		Not applicable	
1982	126,400	0.72	44400	1.37	2.85		Not applicable	
1983	128,000	1.27	45200	1.80	2.83		Not applicable	
1984	129,300	1.02	46100	1.99	2.80		Not applicable	
1985	130,900	1.24	47100	2.17	2.78		Not applicable	
1986	131,500	0.46	47800	1.49	2.75		Not applicable	
1987	133,800	1.75	49200	2.93	2.72		Not applicable	
1988	136,200	1.79	50600	2.85	2.69		Not applicable	
1989	138,500	1.69	51900	2.57	2.67		Not applicable	
1990	140,200	1.23	53000	2.12	2.65		Not applicable	
1991	141,300	0.78	53800	1.51	2.63		Not applicable	
1992	142,200	0.64	54400	1.12	2.61		Not applicable	
1993	143,200	0.70	55100	1.29	2.60		Not applicable	
1994	144,400	0.84	56000	1.63	2.58		Not applicable	
1995	146,100	1.18	57100	1.96	2.56		Not applicable	
1996	146,300	0.14	57700	1.05	2.54		Not applicable	
1997	149,700	2.32	59200	2.60	2.53		Not applicable	
1998	152,900	2.14	60100	1.52	2.54		Not applicable	
1999	153,700	0.52	61100	1.66	2.52		Not applicable	
2000	155,800	1.37	62300	1.96	2.50		Not applicable	
2001	158,600	1.80	63800	2.41	2.49	158,570	NA	-30
2002	160,000	0.88	64900	1.72	2.47	159,832	0.80	-168
2003	160,200	0.13	65500	0.92	2.45	161,020	0.74	820
2004	161,200	0.62	66300	1.22	2.43	162,090	0.66	890
2005	161,700	0.31	67100	1.21	2.41	163,675	0.98	1,975
2006	161,900	0.12	67900	1.19	2.38	164,636	0.59	2,736
2007			Not available			165,550	0.55	NA

Sources: ONS mid year population estimates, DCLG household estimates, Telford & Wrekin Council

Figure 4.1 Telford & Wrekin: population and household growth 1981-2007



Sources: ONS mid year population estimates, DCLG household estimates, Telford & Wrekin Council

4.3 Figure 4.2 shows the breakdown of population change in Telford & Wrekin between natural change (births and deaths) and migration over the 1991-2006 period. The rate of growth through natural change has been consistent throughout most of this period, reflecting Telford's still relatively young population (see below). Migration has been much more volatile. The dips correspond to years when new dwelling completion levels fell. Over the period since 1994, natural change and migration have each made up about 50% of the Borough's population increase, but since 2000, natural change has accounted for two thirds of growth.

4.4 Detailed data on migration shows that, like most areas outside the large cities, Telford loses population in the 16-29 age group as young people leave home to attend higher or further education establishments elsewhere, to go into employment, or simply because they are attracted by the larger cities. This is offset by gains in the 30-64 age groups moving in to new dwellings in the town. A reduction in new construction thus triggers a substantial fall in migration or even net out migration.

4.5 Managerial and professional groups also tend to be over-represented amongst migrants. Table 4.2 shows the occupational composition of migration from within the UK in the year prior to the 2001 Census. This confirms the loss of

households in the younger age groups moving to attend HE/FE institutions. There were net gains in all other occupational groups, but the most significant gains were in the higher and lower managerial and professional groups. This demonstrates the importance of migration in making up the shortfall of such workers in the Borough's employment profile (see below).

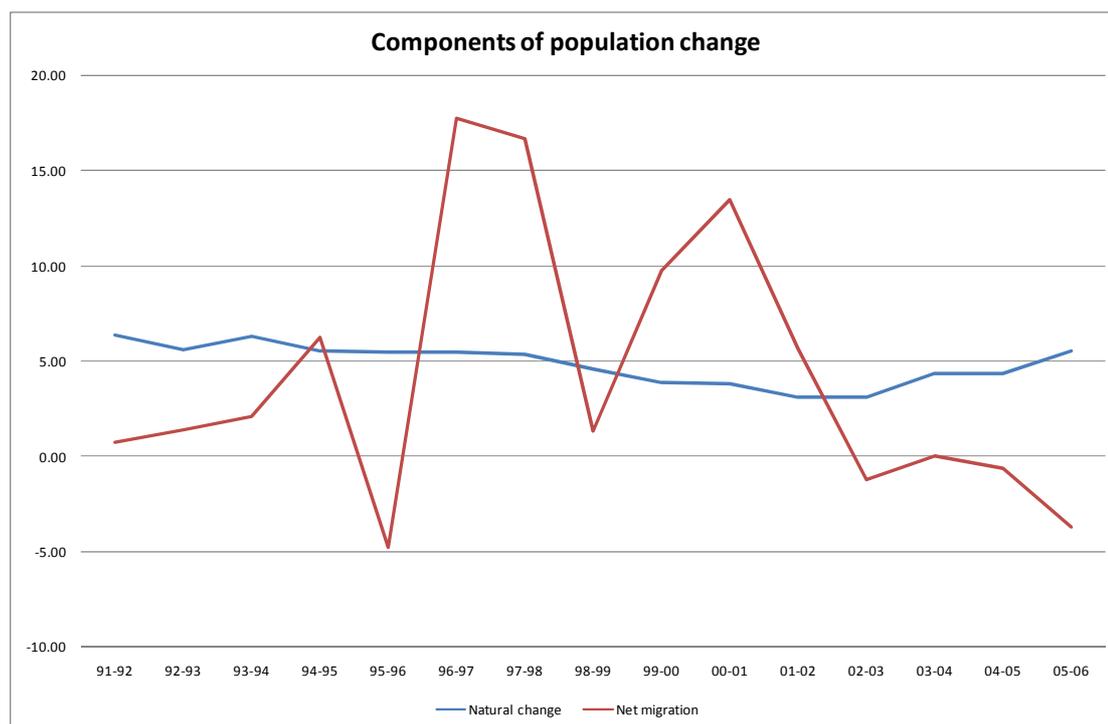
Table 4.2 Occupational composition of migrants, 2001

	Did not move or moved within LA	Moved in from within UK	Moved out to within UK	Net moves in from UK	Net moves as % of non- movers/movers within LA
Higher managerial and professional	3,714	285	244	41	1.10
Lower managerial and professional	9,924	472	317	155	1.56
Intermediate	3,431	133	113	20	0.58
Small employers and own account workers	3,624	89	71	18	0.50
Lower supervisory and technical	5,733	124	100	24	0.42
Semi-routine	6,481	141	106	35	0.54
Routine	6,747	130	79	51	0.76
Never worked or long-term unemployed :	1,363	39	32	7	0.51
Full time students	218	35	55	-20	-9.17

Source: 2001 Census

4.6 Since 2003, ONS data shows consistent net out migration from Telford & Wrekin, probably because new construction rates have fallen (see below). However, there are grounds for questioning this – notably, the high levels of in migration from abroad to the UK in recent years as a result of asylum seekers and refugees, and more recently economic migration from the new EU accession countries such as Poland and Slovakia. There were 1,500 national insurance registrations in Telford & Wrekin in 2005-06 alone, for example. While this may over-estimate the net number of migrants, it suggests that ONS population projections from 2003 onwards are too pessimistic. ONS are constrained to ensure that local migration estimates are consistent with national totals, but these may not in themselves be accurate.

Figure 4.2 Components of population change 1991-2006



Source: ONS

4.7 Table 4.3 shows the age breakdown of the population of Telford & Wrekin in 1991, 2001 and the projected composition in 2007. This shows a steady decline in the numbers of people aged under 44 and an increase in older age groups. Compared with the West Midlands region and England, Telford & Wrekin still has a relatively young population, with more people under 44 and fewer over this age. Map 4.1 shows the distribution of people aged 45 or more across Telford & Wrekin and surrounding areas in 2001. Telford itself had higher concentrations of younger people under 45, whilst most of the surrounding more rural areas had higher proportions of those aged 45 or more. Within Telford, there were greater concentrations of people aged 45 or more in the older established settlements, including both those pre-dating the New Town and the older New Town estates.

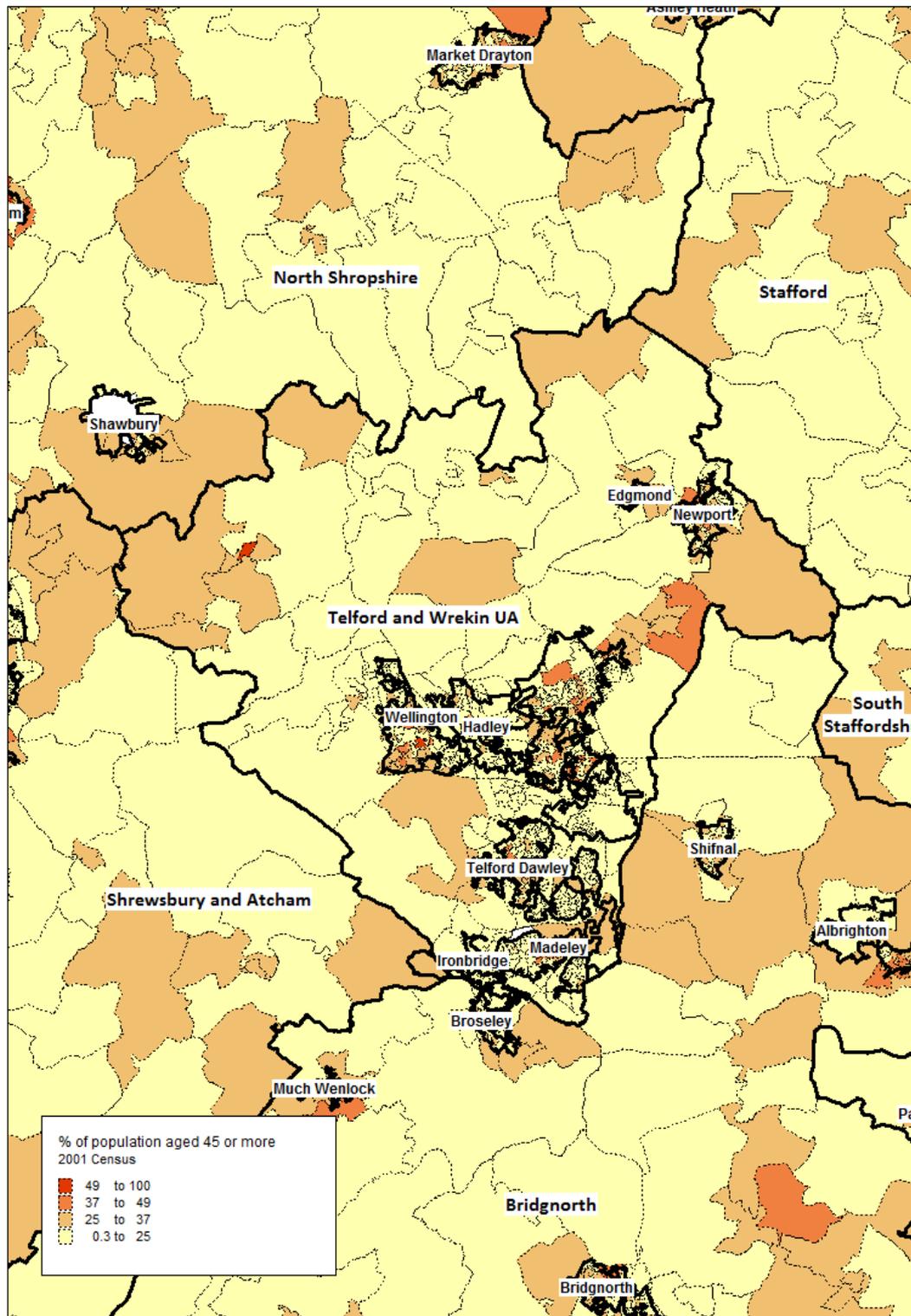
Table 4.3 Age structure of the population 1991-2007

Age group	Percentage of population by age group				
	1991	2001	2007	2001	
				West Midlands	England
0-15	23	22	21	21	20
16-29	22	18	18	17	18
30-44	22	23	22	22	23
45-64	21	24	26	24	24
65-74	7	7	8	9	8
75+	5	6	6	7	8

Source, 1991 Census, 2001 Census, ONS sub-national population projections

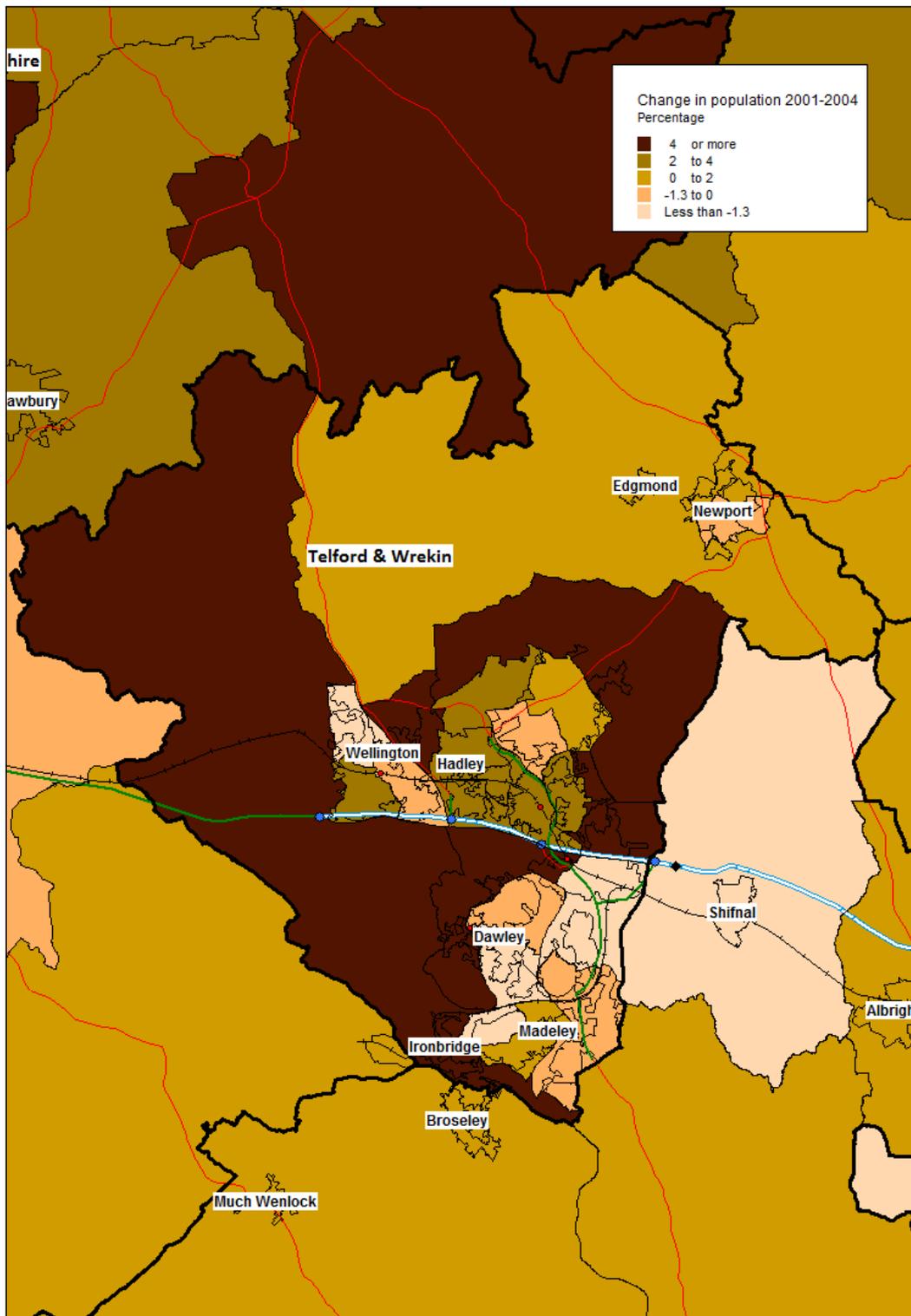
- 4.8 ONS provides estimates of population for middle level super output areas (MSOAs), which form neighbourhoods of about 7,500 people. There are 23 MSOAs in Telford & Wrekin. Data is available from 2001-2004. Map 4.2 shows the pattern of change across Telford & Wrekin over this period. The outer and more rural areas of the Borough fall within the 20% of MSOAs across England with the highest population growth rates, reflecting the location of new construction activity over this period. In contrast, Wellington, Dawley, and the South Telford estates were losing population over this period. This was in part due to the ongoing decline in household size and in part due to increasing vacancy rates in some areas, as discussed further below.
- 4.9 As Table 4.1 shows, the number of households has increased rapidly over the 1981-2006 period, on average by 2.2% per annum, although the rate of growth has fallen since 2002. The average household size has declined consistently from year to year from almost 3 persons per household in 1981 to 2.38 in 2006.
- 4.10 Household growth is generated in part by population growth and in part by the tendency for people to live in smaller households. In Telford & Wrekin, declining household size accounted for about 50% of household growth over the 2000-2006 period. If the average household size had remained at the 2000 level (2.50 persons per household) there would have been 2,400 fewer households in 2006. The remaining 50% of household growth is accounted for by population increase, that is by new households forming from the existing population, and by net in migration of households. As we saw above, natural change contributed about two thirds of population growth during the 2000-2006 period.

Map 4.1 Percentage of people aged 45 or more, 2001



Source: 2001 Census

Map 4.2 Population change 2001-2004



Source: ONS

4.11 Table 4.4 shows the changing composition of households in 1991 and 2001 together with the projected composition in 2006. Within the context of an overall increase of over 16,000 households (31%) during this fifteen year period,

the number of married couple households has remained almost unchanged, but there were large increases in the numbers of cohabiting couples (108%), single person households (70%) and other multi-person households (98%). Couples still accounted for 57% of all households in 2007, followed by single people (28%), lone parent households (9%) and other multi-person households (6%). The composition of households in 2007 was similar for the West Midlands as a whole, but the region had more single person households (30%) and fewer couples (56%) and lone parents (8%), whilst England as a whole had fewer couples (54%), more single people (32%), more multi-person households (7%) and fewer lone parent households (8%).

Table 4.4 Household composition in Telford & Wrekin

Household types	Number			Percentage			Percentage increase 1991-2007
	1991	2001	2006	1991	2001	2006	
Married couple	30220	31900	31600	58	50	46	5
Cohabiting couple	3550	6300	7400	7	10	11	108
Lone parent	4940	5500	6300	10	9	9	28
Other multi-person	1970	3600	3900	4	6	6	98
One person	11110	16500	18900	21	26	28	70
All households	51790	63800	68000	100	100	100	31

Source: DCLG Household projections

Economic profile

4.12 As Table 2.1 showed, Telford is a significant net importer of labour. However, a relatively small proportion of Telford's residents commutes out of the Borough (13%) and a relatively small proportion of the workforce of the Borough commutes in (26%), making it one of the most sustainable authorities in the region in commuting terms.

Labour force

4.13 ONS estimate that there were 101,500 people of working age in Telford & Wrekin in 2005, representing 63% of the population, a slightly higher proportion than for the West Midlands or Great Britain, as would be expected given the age profile of the population (Table 4.5).

Table 4.5 Working age population

	Telford and Wrekin	Telford and Wrekin (%)	West Midlands (%)	Great Britain (%)
All people - working age	101,500	62.8	61.1	62.1
Males - working age	52,400	66.1	65.0	65.8
Females - working age	49,100	59.7	57.4	58.5

Source: NOMIS, derived from ONS midyear population estimates

4.14 Some 79% of the population of working age were economically active (Table 4.6), a higher rate than for Great Britain or the West Midlands Region. The male activity rate (82.6%) whilst higher than the female rate, was lower than the regional or national figures and the rate for women was higher. The proportion of people in employment who were self employed was lower than the regional or national averages, but this was mainly because of the low rate of male self-employment - the self employment rate for women was significantly higher. Unemployment overall was slightly lower than for the region or Great Britain, but the rate was much higher in the case of women.

Table 4.6 Economically active population 2006

	Telford and Wrekin (numbers)	Telford and Wrekin (%)	West Midlands (%)	Great Britain (%)
All people				
Economically active*	84,200	79.2	77.3	78.6
In employment*	79,300	74.4	72.9	74.3
Employees*	70,200	66.1	64.0	64.6
Self employed*	8,800	8.0	8.4	9.3
Model-based unemployed**	4,200	5.0	5.5	5.3
Males				
Economically active*	44,500	82.6	82.7	83.4
In employment*	42,100	78.0	77.8	78.5
Employees*	36,300	67.6	65.0	64.9
Self employed*	5,700	10.2	12.2	13.2
Unemployed**	2,400	5.5	5.8	5.8
Females				
Economically active†	39,700	75.5	71.5	73.5
In employment†	37,300	70.6	67.7	69.8
Employees†	33,900	64.4	62.9	64.3
Self employed†	3,200	5.7	4.4	5.1
Unemployed§	2,400	6.1	5.1	4.8

Source: NOMIS, derived from ONS annual population survey. *numbers are for those aged 16 and over, % are for those of working age (16-59/64); ** numbers and % are for those aged 16 and over. % is a proportion of economically active

4.15 Table 4.7 shows employment by occupation in 2006. Telford has a lower proportion of the labour force in managerial and professional occupations than the West Midlands but significantly fewer in these occupational groups than Great Britain (37.2% compared to 42.3%). The shortfall is greatest amongst senior managers. There are slightly fewer employees in the administrative and secretarial group (11.6%) than for Great Britain as a whole (12.1%), but more in the skilled trades group (11.6% compared to 10.9%). In the personal service

sector, the proportions are roughly the same, but there are significantly fewer people working in sales and customer service occupations in Telford & Wrekin (5.1%) than in either the West Midlands or Great Britain (7.1%). The most notable difference from both national and regional occupational profiles is in the process and plant operatives group (12.1%) compared to 9.4% for the West Midlands and only 7.3% for Great Britain. Telford & Wrekin also has more people in elementary occupations (14%) than the region (12.5%) and Great Britain (11.4%). Thus Telford has an occupational profile skewed strongly towards skilled trades and process/machine operation within manufacturing and away from professional, managerial, administrative and sales/customer service occupations within the service sector.

Table 4.7 Employment by occupation 2006

	Telford and Wrekin (numbers)	Telford and Wrekin (%)	West Midlands (%)	Great Britain (%)
Soc 2000 major group 1-3	29,500	37.2	38.5	42.3
1 Managers and senior officials	9,900	12.5	13.9	15.0
2 Professional occupations	9,500	12.0	12.2	13.0
3 Associate professional & technical	10,100	12.8	12.4	14.3
Soc 2000 major group 4-5	18,400	23.2	24.0	23.0
4 Administrative & secretarial	9,200	11.6	12.0	12.1
5 Skilled trades occupations	9,200	11.6	12.0	10.9
Soc 2000 major group 6-7	10,200	12.9	15.2	15.7
6 Personal service occupations	6,200	7.8	7.5	8.0
7 Sales and customer service occs	4,000	5.1	7.7	7.7
Soc 2000 major group 8-9	20,800	26.2	21.8	18.7
8 Process plant & machine operatives	9,700	12.2	9.4	7.3
9 Elementary occupations	11,100	14.0	12.5	11.4

Source: NOMIS, derived from ONS annual population survey. Notes: Numbers and % are for those of 16+. % is a proportion of all persons in employment

4.16 This occupation structure is reflected in the qualifications of the workforce.

Only 20.9% of the workforce has an NVQ level 4 or above qualification, compared to 23.9% for the West Midlands and 27.4% for Great Britain. Despite this difference, the proportion with no qualification (14.8%) is only one percentage point above that for Great Britain.

Table 4.8 Qualifications 2006

	Telford and Wrekin (numbers)	Telford and Wrekin (%)	West Midlands (%)	Great Britain (%)
NVQ4 and above	21,400	20.9	23.9	27.4
NVQ3 and above	39,900	38.9	41.1	45.3
NVQ2 and above	63,300	61.7	60.5	63.8
NVQ1 and above	81,200	79.1	74.8	77.7
Other qualifications	6,200	6.1	7.7	8.5
No qualifications	15,200	14.8	17.5	13.8

Source: ONS annual population survey. Notes: For an explanation of the qualification levels see the definitions section. Numbers and % are for those of working age. % is a proportion of total working age population

4.17 The 2005 Telford & Wrekin Economic Development Strategy identifies a number of issues facing the local economy, many stemming from Telford's new town origins:

- An underdeveloped service sector - 25% of the Borough's workforce is employed in manufacturing related industries compared with 15% nationally.
- A concentration of low skill, low wage manufacturing with wage levels below the national average.
- Over 16,000 people or over 20% of the workforce, are employed by overseas companies, making the Borough is vulnerable to pressures from manufacturing globalisation and supply chain rationalisation. This has already begun to affect the economy and can be expected to have a greater impact in the future.
- The lack of financial incentives to attract employers has reduced levels of inward investment in recent years.
- There are low levels of entrepreneurship, business formation and self employment.
- The lack of an evening economy and related, leisure and cultural facilities in the Town Centre make it difficult to attract and retain skilled young people.
- The Borough's residential offer does not attract or retain business leaders and young professionals.

Earnings and incomes

4.18 In the past, Telford & Wrekin has had a reputation as an area with low pay levels, and referred to in the Economic Development Strategy. Table 4.9 shows earnings for full time-employees in Telford & Wrekin in 2006, drawn from the Annual Survey of Hours and Earnings. The median gross weekly pay for *full-time* employees was £422 per week. This is about £27 per week lower than the Great Britain median, but marginally higher than the West Midlands figure. However the differential with Great Britain is much greater for female (£47) than male earnings (£18), and likewise for hourly earnings.

4.19 The median gross weekly pay for *all* employees including part-time workers was £344.

Table 4.9 Earnings – residence based²⁰ (2006)

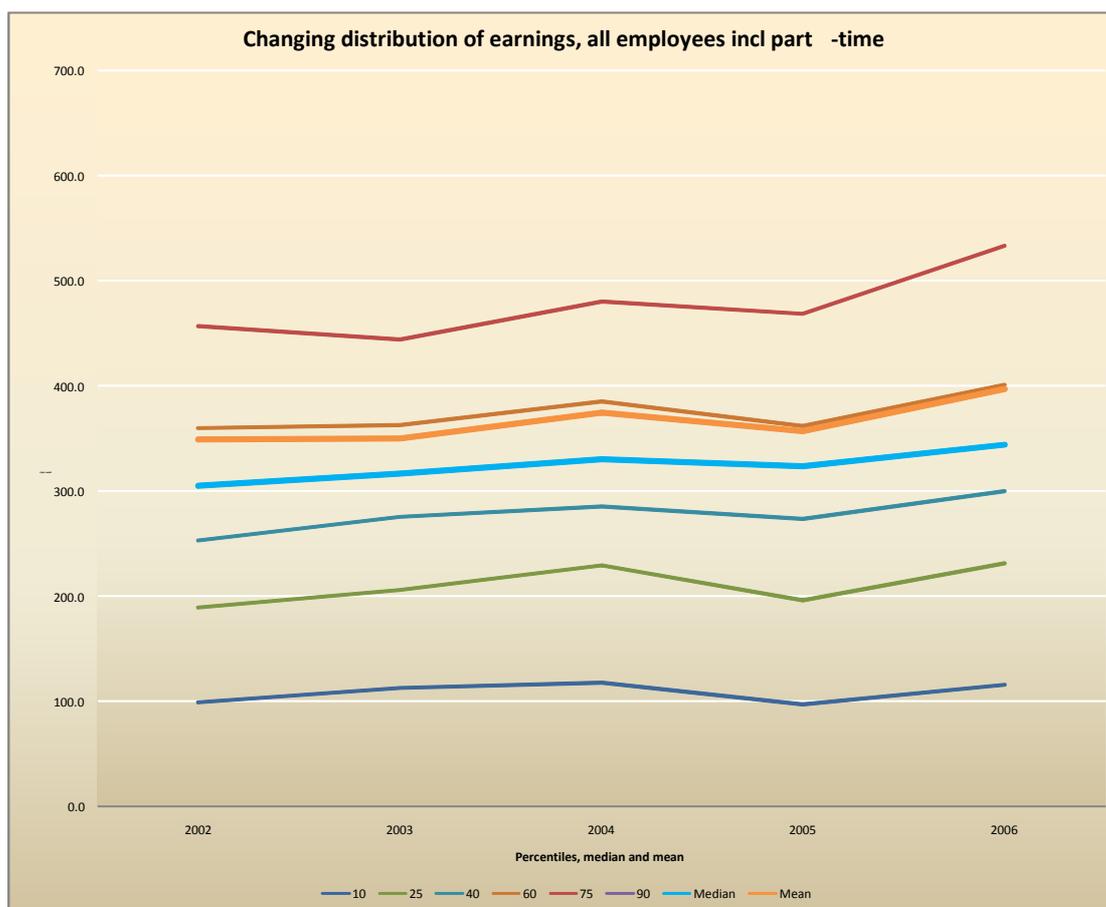
	Telford and Wrekin	West Midlands	Great Britain
Gross weekly pay			
Full-time workers	422.1	421.1	449.6
Male full-time workers	471.9	459.5	490.5
Female full-time workers	340.6	360.0	387.6
Hourly pay			
Full-time workers	10.32	10.51	11.26
Male full-time workers	11.40	11.12	11.91
Female full-time workers	8.94	9.61	10.28

Source: ONS Annual Survey of Hours and Earnings. Note - median earnings in pounds for full-time employees living in the area

4.20 Figure 4.2 shows the changing distribution of earnings for *all* workers (including part-time) for Telford & Wrekin over the 2002-2006 period. Overall, average earnings increased by about 13% during this period, but the increase for the top quartile was 16% and the inter-quartile range (the gap between the bottom and top quarters of the income distribution increased from £267 to £301 per week after reducing between 2002 and 2003).

²⁰ Earnings for those living in Telford and Wrekin (some of whom may work elsewhere), as distinct from those working in Telford & Wrekin (some of whom may live elsewhere).

Figure 4.2 Changing distribution of earnings, all employees including part-time



Source: ONS, Annual survey of Hours and Earnings

4.21 After narrowing between 2002 and 2003, the gap between upper and lower earnings thresholds is increasing in Telford & Wrekin, suggesting that there is a significant and increasing level of income polarisation, even amongst those who are earning²¹.

4.22 Map 4.2 shows data on the distribution of household incomes across Telford & Wrekin based on CACI Paycheck estimates. There is a very clear distinction between the lower income areas of Telford and the higher income rural areas surrounding the town. A small number of areas such as Ironbridge and Priorslee also stand out as islands of higher median incomes within Telford. There are higher proportions of those on low incomes in the three South Telford HMAs and in the North Central and North East Telford HMAs.

4.23 Table 4.10 shows average household income by housing market area within Telford. The Rural areas have the highest average income (£38,961) followed by North East. The lowest incomes are found in South and North East Telford.

²¹ Data from the Annual Survey of Earnings and Hours excludes those who are not working

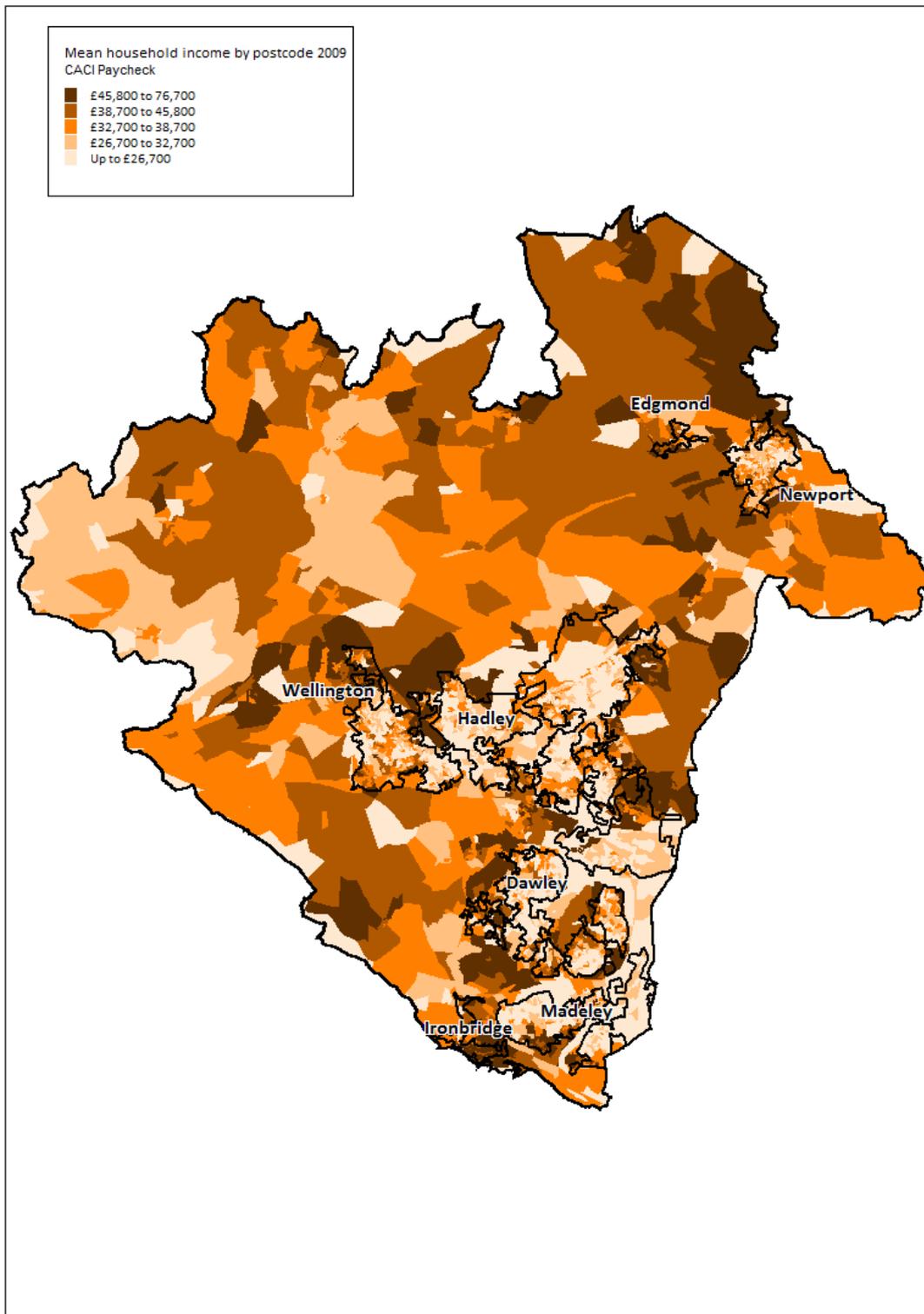
Table 4.10 Average income by housing market area

Area	Households	Average income (£pa)
Newport	4,886	33,085
North Central	12,891	30,969
North East	10,638	36,557
North West	9,296	32,642
Rural	6,166	38,961
South Central	8,595	30,844
South Middle	8,135	32,029
South South	8,830	29,349
Telford	69,437	32,810

Source: CACI Paycheck

4.24 Household income is closely related to the number of earners, rising as the number of earners increases. In 2003, excluding retired households, 12% of non-retired households in the Borough had no household member in employment. This is a slight increase over the equivalent figure in 1998 (10%). Some 32% of households had only one earner (36% in 1998), with the remaining 56% having two or more earners (54% in 1998).

Map 4.2 Median income 2009 by postcode

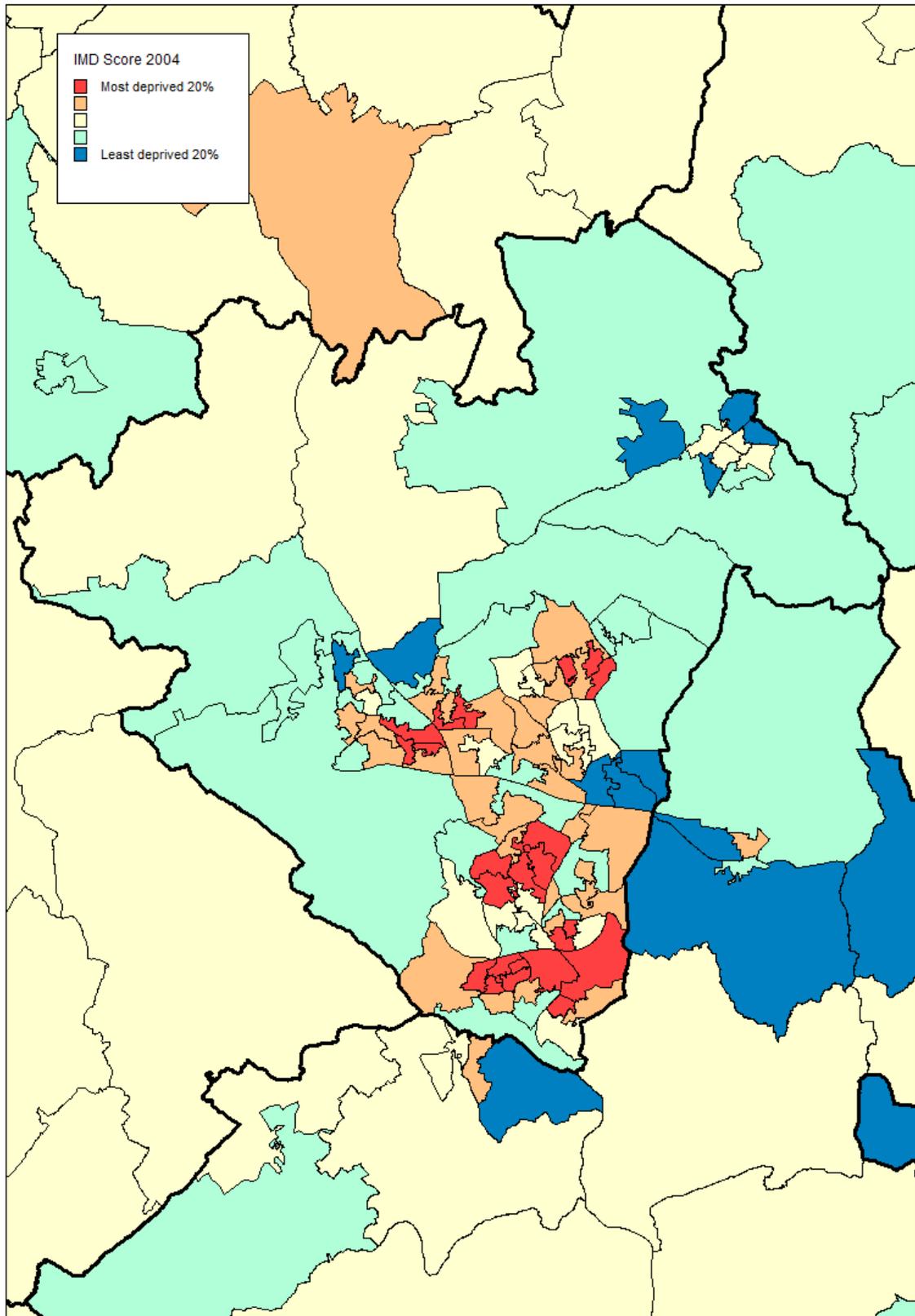


Source: CACI Paycheck

4.25 The 2004 Index of Deprivation published by DCLG indicates that Telford & Wrekin ranked 107th amongst local authorities nationally in terms of overall

need. However, this overall picture at local authority level conceals significant local variations. Of 108 SOAs in Telford & Wrekin, 20 fall within the most deprived 20% of wards nationally. This indicates that there are concentrations of very serious deprivation in parts of the Borough. Map 4.3 below shows deprivation by SOA. The main concentrations of deprivation were in the south Telford estates, Dawley and Malinslee, Hadley, and Donnington. In terms of the housing market sub-areas problems are concentrated mainly in the North West, North Central, South Central and South South HMAs. At the same time 18 SOAs fall within the 20% least deprived neighbourhoods in the country.

Map 4.3 Deprivation by SOA



Source: ONS

The current housing stock

- 4.26 Table 4.11 below shows the changing size and tenure profile of the dwelling stock of Telford & Wrekin over the 2000-2007 period. In 2006, 76% of dwellings in Telford were privately owned, 21% were owned by housing associations, and 3% by other public sector agencies. The local authority does not own any stock, having transferred its properties to the Wrekin Housing Trust in 1999. The relatively high number of dwellings owned by other public sector bodies is accounted for by Ministry of Defence and University owned stock.
- 4.27 The proportion of public sector stock in Telford & Wrekin is still significantly higher than the West Midlands or England averages, and the proportion of privately owned housing is lower. Despite this, the last two decades have seen a transformation in the tenure pattern in Telford & Wrekin, especially in the former New Town area of Telford, through sales of Development Corporation and local authority stock and a strong emphasis in new construction on private sector housing. In 1981 for example, only 44% of dwellings were owner occupied and a further 6% were rented from private landlords, with the remaining 49% in the social rented sector. This reflected the development of the New Town in the preceding two decades.
- 4.28 The latest estimate of the size of the private rented sector dates back to 2001, when 5,836 households, or 9.2% of the total, rented from a private landlord. However this may have included some of the dwellings owned by public bodies, so 7% would have been a more realistic figure. It is likely that the proportion of private renting has subsequently increased, but no details are available. In the West Midlands the proportion of private renting increased by one percentage point over the 2001-2006 period, so 8% would be a reasonable estimate of the size of the private rented sector in Telford & Wrekin in 2006. This is lower than the West Midlands (9%) or England (12%).

Table 4.11 Dwelling tenure 2000-2007

	RSL	Other public	Private sector	Total
Telford & Wrekin				
Number of dwellings				
2000	15,415	200	46,521	62,136
2001	15,209	200	47,525	62,934
2002	14,836	200	49,974	65,010
2003	14,367	2,125	49,984	66,476
2004	13,743	2,000	49,906	65,649
2005	13,671	2,074	50,566	66,311
2006	13,710	2,074	50,896	66,680
2007	14,123	2,074	50,689	66,886
2007				
Percentages				
Telford & Wrekin	24		76	100
West Midlands	20		81	100
England	18		82	100

Source: HSSA returns

4.29 The latest available comprehensive profile of the dwelling stock is from the 2001 Census. When looking at the tables below, it should be borne in mind that that since then, 3,874 dwellings have been constructed and over 100 have been demolished.

4.30 In 2001, the most common dwelling type in Telford & Wrekin (Table 4.12) was the semi-detached house (37% of household spaces), followed by detached houses (31%) and terraced houses (22%). Only 9% of dwellings were flats. Telford & Wrekin has a strikingly different dwelling type profile from that of England as a whole. Compared to England, Telford & Wrekin has considerably more detached and semi-detached houses, offset by far fewer terraced houses and flats. The proportion of flats which are purpose built (as distinct from converted from other dwellings or buildings) is also much higher in Telford than in England as a whole.

4.31 The profiles differ considerably between tenures, as would be expected. Over 40% of owner occupied houses are detached, only 19% are terraced, and only 2% are flats. In the social rented sector, over a quarter of dwellings are flats, and only 5% are detached dwellings. In the private rented sector, the proportion of detached houses is extraordinarily high (16%), and the proportion of flats is high for Telford (19%) but not compared to England as a whole.

Table 4.12 Dwelling type by tenure 2001

	Percentage of all household spaces				
	Telford & Wrekin 2001				England 2007
	Owner occupied	Social rented	Private rented	All tenures	All tenures
Detached house	41	5	16	31	22
Semi-detached house	37	39	32	37	32
Terraced house	19	29	27	22	28
Purpose-built flat	2	25	15	8	12
Converted flat	0	1	4	1	4
Other type	0	0	1	1	2
All types	100	100	100	100	100

Source: 2001 Census

4.32 The Census does not provide data on dwelling size by number of bedrooms – instead it reports the total number of rooms available to each household (Table 4.13). Some 50% of dwellings have 5-6 rooms, with about a quarter having 3-4 rooms and a similar proportion 7 rooms or more.

Table 4.13 Dwelling size by tenure 2001

	Percentage by number of rooms					
	One	Two	3-4	5-6	7+	All
Owner occupied	0	1	16	52	31	100
Social rented	0	3	48	45	4	100
Private rented	1	5	36	45	13	100
All tenures	0	1	25	50	23	100

Source: 2001 Census

4.33 Data on the age profile of the stock is not available, but Telford & Wrekin clearly has a newer stock than England as a whole, because of the very high rate of new development which has characterised the Borough since the establishment of the New Town over 30 years ago.

Vacant dwellings

4.34 Levels of vacant dwellings are a key indicator of the strength of the housing market. Vacancy data is always difficult to interpret, as there are frequent variations which are difficult to account for except by changes in the way that data is collected. Table 4.14 shows the number of vacant dwellings in the Telford & Wrekin stock by broad tenure group and Figure 4.4 shows vacancy rates.

Table 4.14 Vacant dwellings 2000-2007

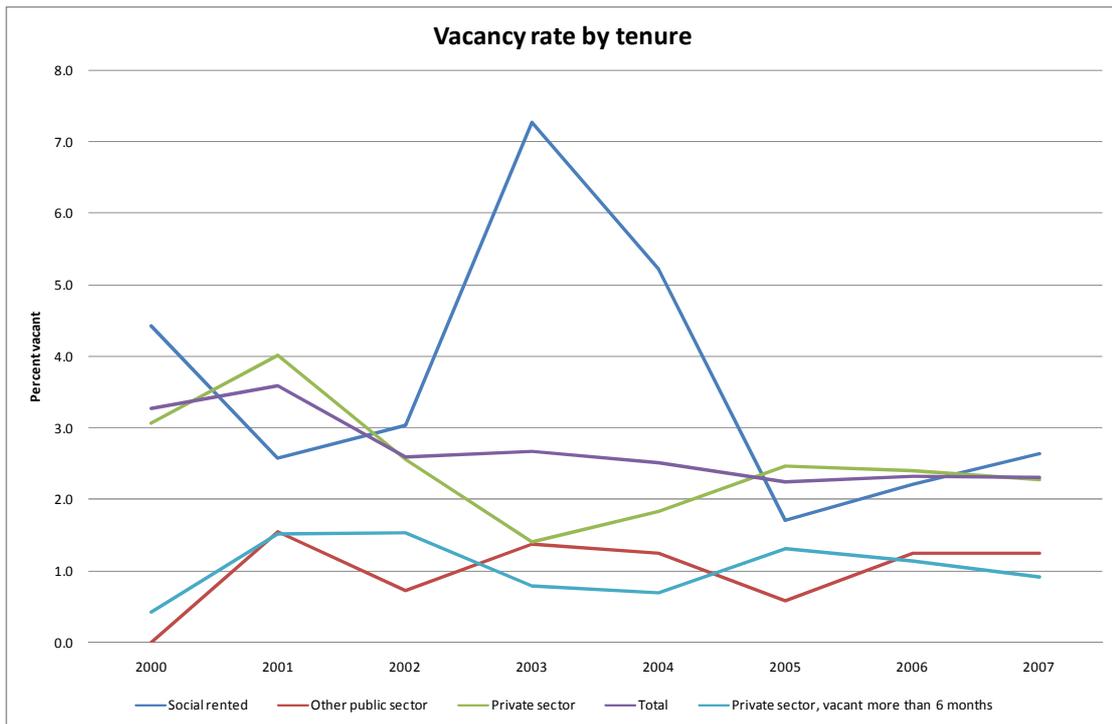
	Social rented	Other public sector	Private sector	Total	Private sector, vacant more than 6 months
2000	680	0	1,423	2,103	201
2001	391	34	1,907	2,332	721
2002	450	16	1278	1744	768
2003	1044	29	701	1774	400
2004	715	25	910	1,650	350
2005	232	12	1,248	1,492	664
2006	302	26	1222	1550	580
2007	372	26	1148	1546	466

Source: Telford & Wrekin Council

4.35 The overall vacancy rate has been low throughout the 2000-2007 period, but has declined from over 3.5% in 2001 to about 2.5% in 2007. Unusually, the rate for the social rented sector is higher than that for the private sector. This probably stems from action taken in 2002-2004 to demolish obsolete homes in Woodside, which involved the transfer of some private dwellings into the social rented sector and temporarily increased the vacancy rates in that sector. It reflects strong positive action by the Borough Council to deal with difficult to let stock rather than any real long term increase in void rates.

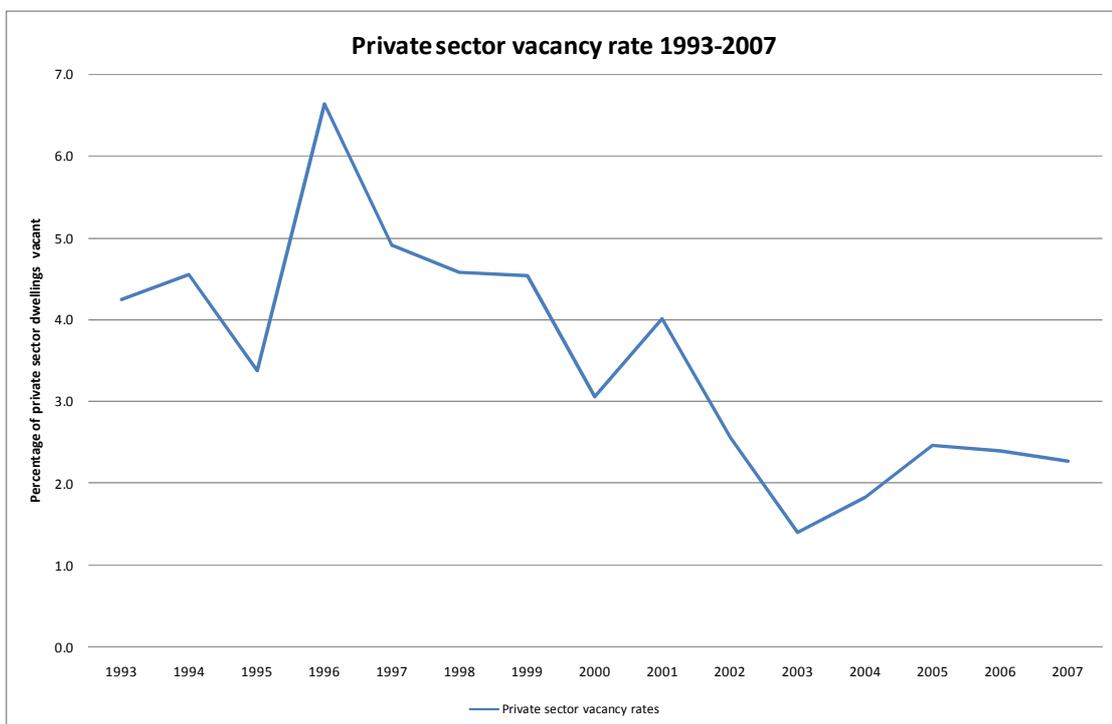
4.36 The majority of vacant properties are privately owned. Figure 4.5 shows that the proportion of private sector dwellings in the Borough which were vacant was much higher in the late 1990s and early 2000s than at present. This is clear indication of the active state of the housing market and the overall strength of demand in the Borough. The proportion of private sector vacant for more than 6 months shows a fluctuating picture, but is very low in Telford & Wrekin compared to Birmingham and the Black Country.

Figure 4.4 Vacancy rates, 2000-2007



Source: Telford & Wrekin Council

Figure 4.5 Private sector vacancy rate 1993-2007



Source: Telford & Wrekin Council

4.37 Data for vacancies is not readily available below local authority level, but ONS has recently published data on vacancy levels for Census wards which gives an

indication of variations. Table 4.15 shows the results. This clearly highlights the very high vacancy rate in Woodside referred to above. Wards with above average vacancy rates in 2005 included Dothill. Ironbridge Gorge, Haygate, Hadley and Leegomery, College, Ercall Magna, Church Aston and Lilleshall, Horsehay and Lightmoor and Donnington, so higher rates are found in more rural areas as well as in less attractive estates within Telford

Table 4.15 Vacancy rates by Census ward, 2003-2005

Census ward	2003	2004	2005	% change
Apley Castle	1.4	1.7	1.8	25
Arleston	2.7	1.8	2.1	-15
Brookside	3.0	2.2	1.6	-49
Church Aston and Lilleshall	4.6	2.6	2.7	-42
College	4.0	3.6	3.2	-21
Cuckoo Oak	2.0	3.2	2.1	6
Dawley Magna	2.0	1.7	1.4	-29
Donnington	2.6	2.0	2.6	-1
Dothill	7.0	8.4	7.6	9
Edgmond	2.0	2.9	2.6	27
Ercall	1.7	1.6	2.0	14
Ercall Magna	2.6	2.2	2.8	7
Hadley and Leegomery	3.7	3.6	3.4	-4
Haygate	2.9	3.3	3.6	29
Horsehay and Lightmoor	2.3	2.2	2.7	8
Ironbridge Gorge	4.9	5.0	5.5	14
Ketley and Oakengates	2.3	2.1	2.0	-9
Lawley and Overdale	1.9	2.2	1.7	-13
Madeley	2.2	2.7	2.6	20
Malinslee	1.8	1.4	1.3	-25
Muxton	1.2	2.1	1.8	55
Newport East	1.0	1.7	1.1	18
Newport North	2.6	2.0	1.1	-58
Newport South	2.2	1.6	2.1	0
Newport West	2.7	2.3	2.2	-18
Park	1.5	0.8	0.9	-38
Priorslee	2.1	1.6	1.8	-11
St Georges	2.8	2.2	2.3	-15
Shawbirch	1.6	1.3	1.4	-11
The Nedge	1.7	1.6	2	18
Woodside	13.3	12.7	2.6	-84
Wrockwardine	2.4	2.7	2.4	2
Wrockwardine Wood and Trench	1.9	2.2	1.9	-2
Telford & Wrekin	2.9	2.8	2.3	-22

Source: ONS

New dwelling completions

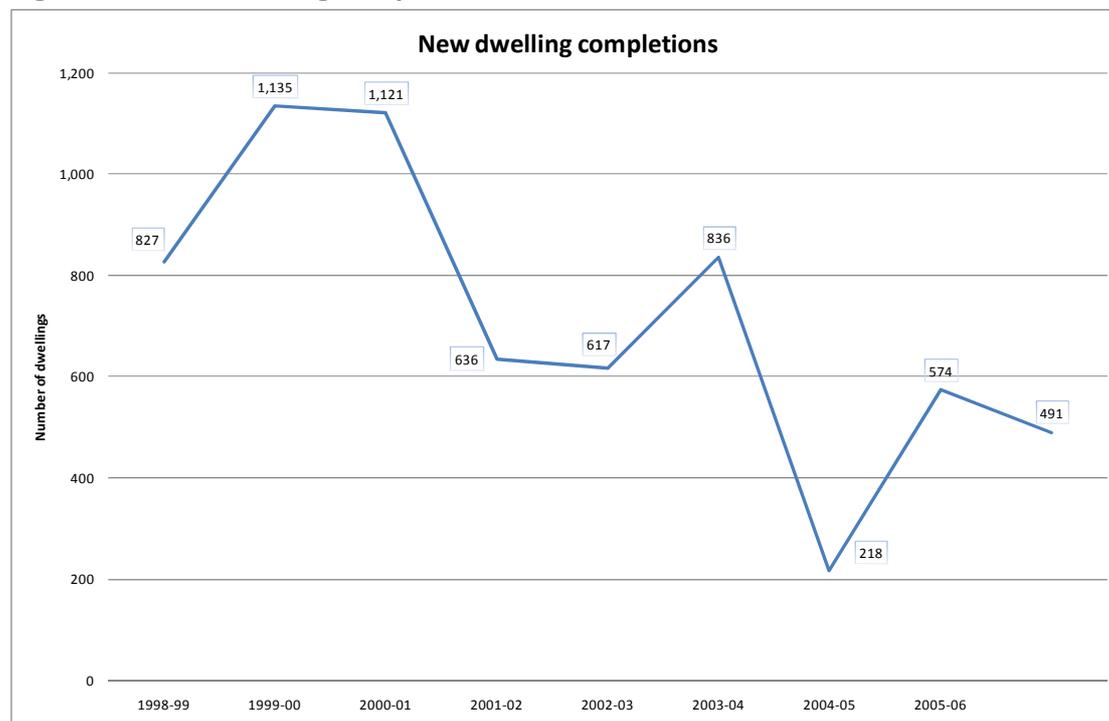
4.38 For many years, new dwelling completions averaged around 950, of which about 850 were in Telford and 100 in Newport and the rural areas of the Borough

(Figure 4.6). Since 2000, there has been a decline in the level of completions. Although numbers picked up in 2003-04 they have subsequently declined again. This level of completions is historically very low for Telford & Wrekin, and falls well short of the current RSS target of 1,300 completions per annum.

4.39 Detailed information is not available on the composition of new housing in terms of type, size and market value. Land Registry sales data suggests that the average price of new housing in Telford & Wrekin is £190,000 compared to £145,000 for second hand dwellings, but the ratio of these prices in 2006 (1.3) is much lower than it was in 2002 (1.6). This narrowing can be explained by a change in the type of new housing sold. In 2002 48% of newly built dwellings sold were detached, but by 2006 this had fallen to 30%, with the shortfall made up by an increase in terraced and semi-detached housing (53%). Flats made up only about 10% of new housing sales during the 2002-2006 period in Telford & Wrekin, in marked contrast to the national position where flats formed 45% of completions in 2005/06.

4.40 Research conducted on behalf of the Regional Housing Board into the operation of housing markets in Telford & Wrekin and the Black Country found that 70% of occupants had previously lived in the Borough, with Bridgnorth the only other significant place of origin. Some 73% worked in the Borough, and only 12% worked in Birmingham or Wolverhampton. This suggests that the new build market mostly services the aspirations of people who either live locally or who move to the Borough to work there rather than to commute to other centres of employment. The other significant finding from the survey was that 67% of residents of new housing worked in managerial or professional occupations. This reflects the composition of the new build stock above. It also highlights the importance of new construction in diversifying the housing stock in the Borough and in attracting more affluent and more highly qualified groups, to the benefit of the economy.

Figure 4.6 New dwelling completions



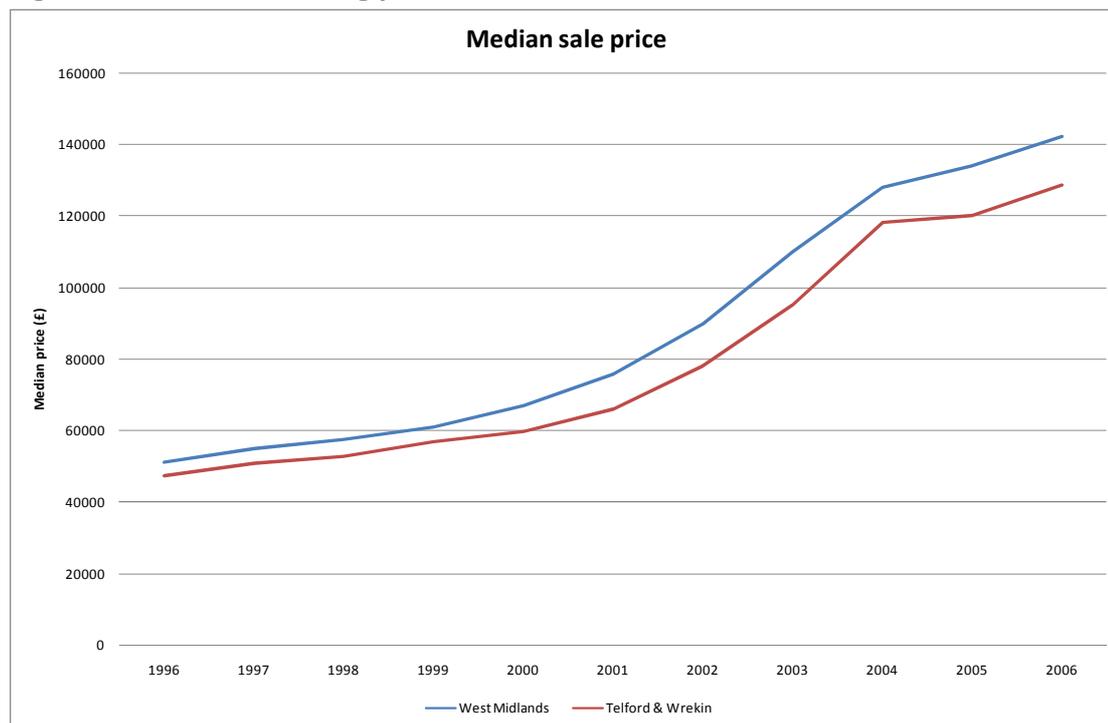
Source: Telford & Wrekin Council *Local Development Framework, Annual Monitoring Report 2007*.

House prices and affordability

4.41 House prices are one of the most important indicators of the state of the housing market. From 1996-2000, prices in the West Midlands remained fairly static, following the severe recession in the market in the early 1990s. But from about 2000 prices again increased, rising most rapidly in the 2002-2004 period, before the rate of growth fell back. This growth was generated by price increases in the South East, which moved northwards in a wave, passing through the West Midlands and eventually spreading to the northern regions, which enjoyed increases slightly after the West Midlands. At the same time, within the region itself, rising prices initially by-passed the West Midlands and North Staffordshire conurbations to reach the west of the region, before these areas also began to share in the general rate of increase.

4.42 Median dwelling prices in Telford & Wrekin, in line with other areas in the Midlands and North, increased only slowly from 1996 to 2001. From 2002-2004 prices increased very sharply. In the last two years prices have continued to increase, but at a slower rate. Over the whole period, the median price of a dwelling in Telford & Wrekin increased from £47,500 to £128,500, an increase of 171%.

Figure 4.7 Median dwelling prices, Telford & Wrekin and West Midlands

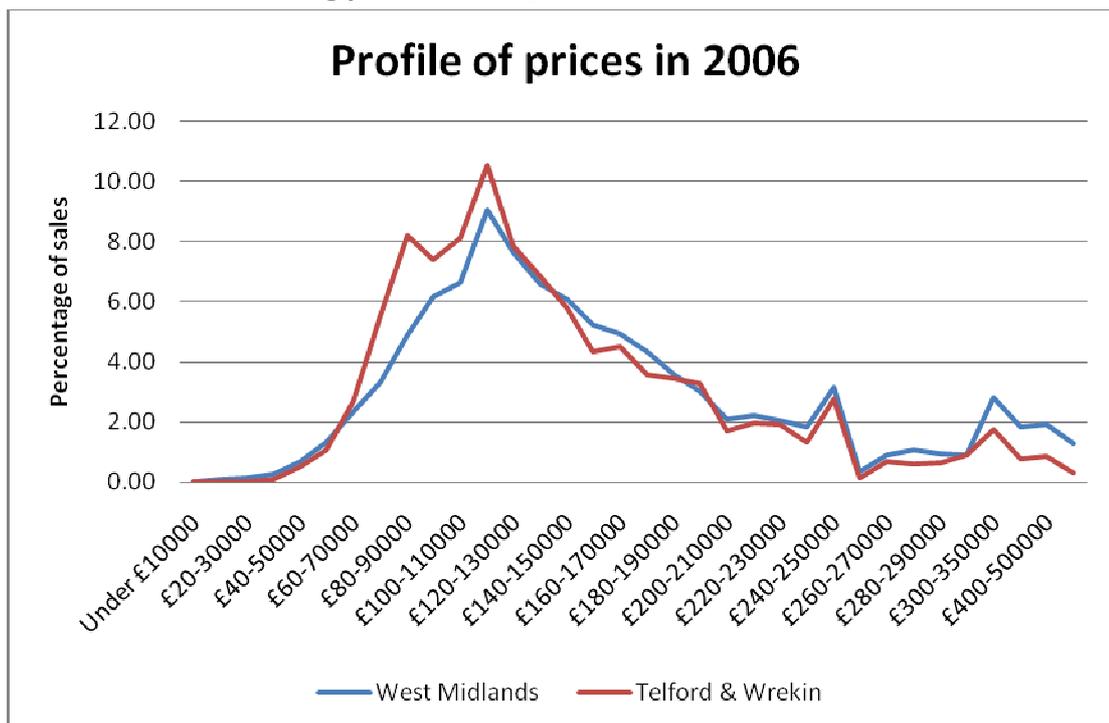


Source: HM Land Registry

4.43 Median prices in Telford & Wrekin are slightly lower than those in the West Midlands as a whole. The highest prices in the region are in the south eastern area, and in the rural west. Prices in the West Midlands and North Staffordshire conurbations are much lower. Telford falls between these, but has a significant pool of lower value stock in the old pre-New Town industrial settlements and in the ex-Development Corporation estate dwellings which have passed into the private sector (Figure 4.8). It also has a shortage of stock in the price bands above £300,000 in comparison to the region as a whole.

4.44 From 2002-2004, when prices generally were rising, they rose more quickly in the previously higher-priced areas of the region, so the ratio of the median price in Telford & Wrekin to the regional median price fell, from around 0.93 to 0.86. The ratio has since risen again as prices in Telford & Wrekin have caught up, but it remains below its 1996 level.

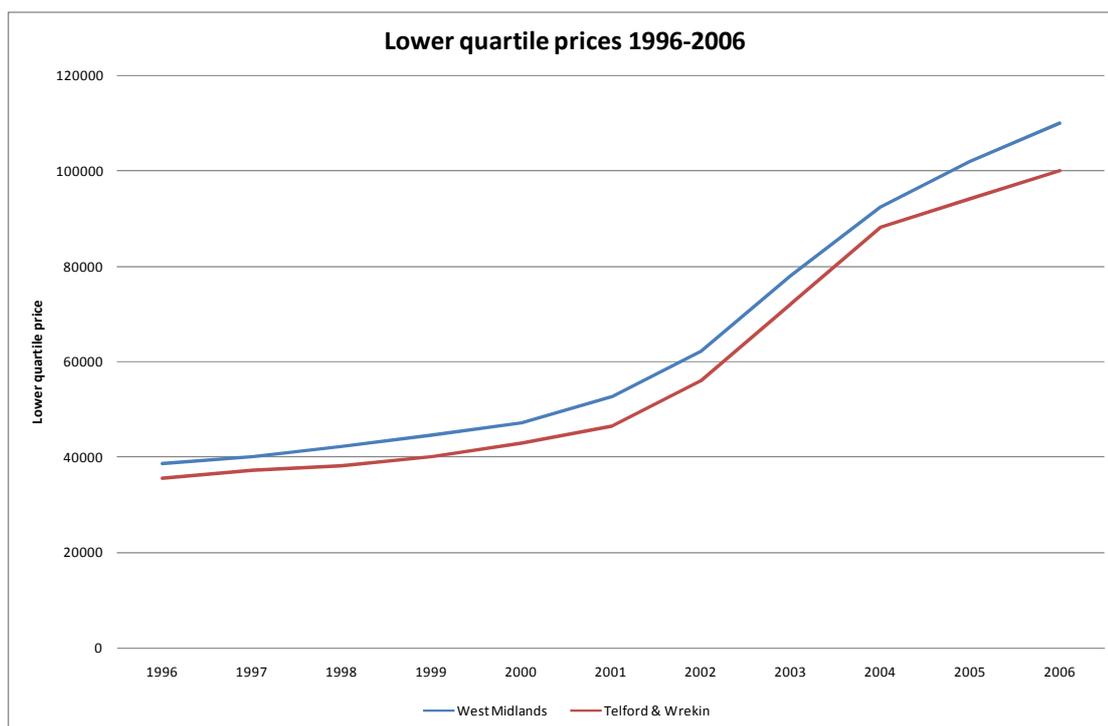
Figure 4.8 Profile of dwelling prices in 2006, Telford & Wrekin and West Midlands



Source: HM Land Registry

4.45 The lower quartile threshold price gives an indicator of change towards the bottom end of the market where first time buyers tend to operate. The lower quartile threshold is the price below which one quarter of all sales fall. This price followed roughly the same pattern as the median, rising in Telford & Wrekin from £35,500 to £100,000, an increase of 182%. This suggests that the gap between the median and the lower quartile closed somewhat over the 1996-2007 period – an indicator of relatively strong demand towards the bottom of the market.

Figure 4.9 Lower quartile dwelling prices, Telford & Wrekin and West Midlands



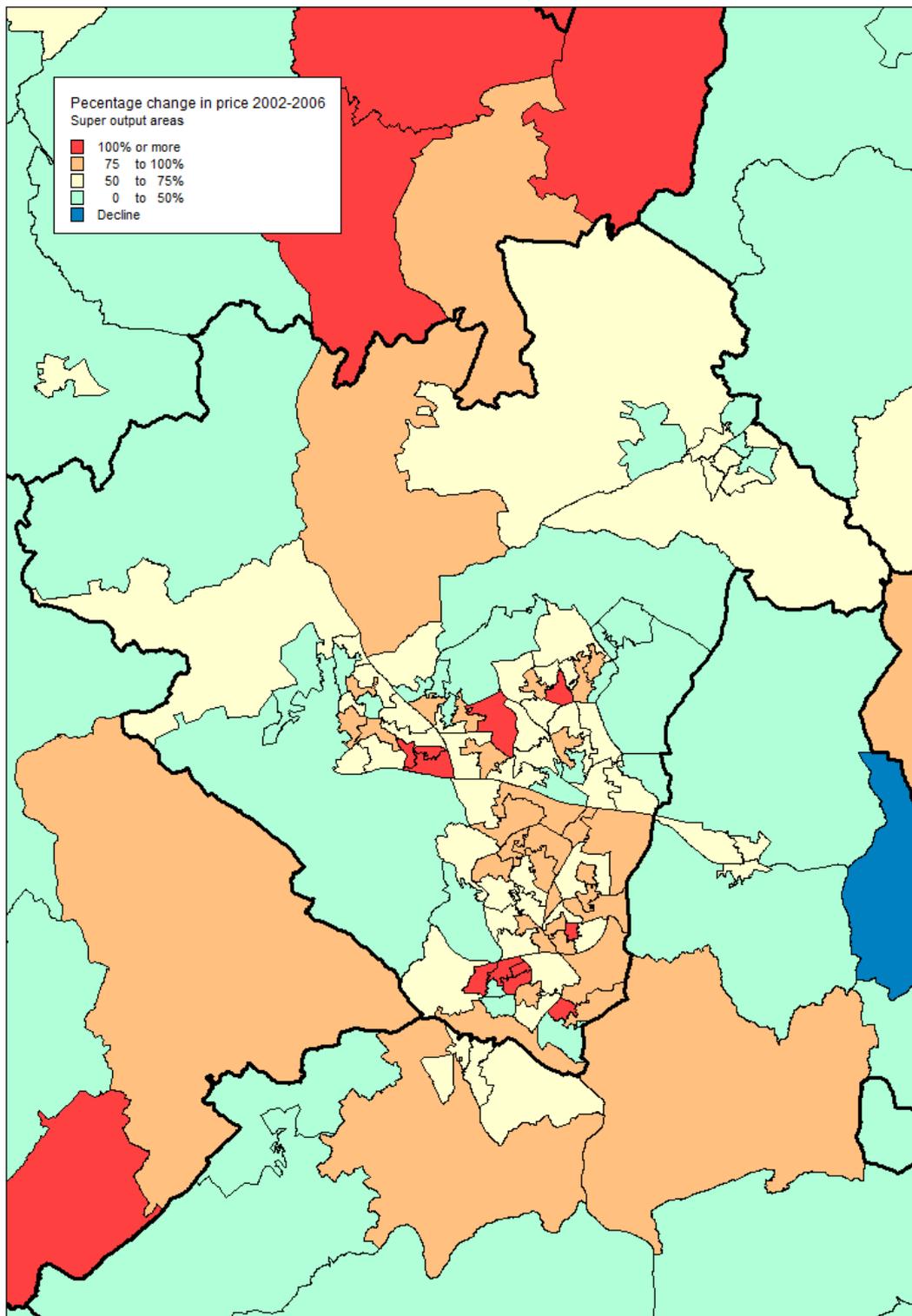
Source: HM Land Registry

4.46 Looking at the rate of price change over the 2002-2006 period (Map 4.4) there is a perhaps surprising conclusion – the areas with the lowest prices at the outset tended to experience the highest percentage increases. This is clear visually, but there is also a strong negative correlation (-0.60) between the 2001 average price and the 2001-2006 percentage price increase across the North and Midlands. For Telford alone, the relationship is even stronger (-0.65). This suggests that lower value areas in Telford & Wrekin were undervalued in 2001-02 when prices began to rise. During the 1990s there was a long period of static house prices and a lack of market confidence which stemmed from negative equity and from high interest rates early in the 1990s. At the same time, there were problems with high void rates and abandonment in some of the south Telford estates. By 2002 the Council was taking action to deal with these which eventually involved significant demolition in Woodside and so demand returned. This was reflected in turnover. From 2002-2004, some 40% of all sales were in the lowest value areas of South Telford.

4.47 The context for price rises was also provided by increases in other more popular sectors of the stock which were affected by more general price increases across the West Midlands region from late 2001. Some of the demand for lower value houses would have come from first time buyers and other low income owners forced back down market, but in addition a significant amount of demand came from buy to let purchasers, other private landlords, and

speculators, attracted by relatively low prices and the potential for a higher rate of return arising from this. Given the worsening affordability situation, private landlords were effectively creating their own market by out-competing first time buyers and then renting to them.

Map 4.4 Percentage change in price 2002-2006



Source: HM Land Registry

4.48 Table 4.16 shows variations in dwelling price by type of dwelling. Obviously detached houses are much more expensive than other types, but between 2002 and 2007 the average price of a detached house increased much more slowly

than that of other types. This further demonstrates the extent to which the 2002-2004 boom in prices was focused on the lower part of the market and, as shown below, contributed to a worsening affordability picture.

Table 4.16 Average prices by dwelling type 1996-2006

	Average price (£)										
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Detached	79456	85111	93142	98557	110913	121689	149725	179457	201813	211247	220228
Flat	23590	25290	27519	27009	28271	32817	44240	54218	78479	85425	83635
Semi-detached	44570	46738	48744	50877	54976	63063	78873	96727	115505	124474	129659
Terraced	34403	35732	37546	40046	45057	50381	62341	79879	95345	102618	111559
Ratio of terrace to semi	0.77	0.76	0.77	0.79	0.82	0.80	0.79	0.83	0.83	0.82	0.86

Source: HM Land Registry

Prices within Telford & Wrekin

4.49 Price variations within Telford & Wrekin are substantial. Map 4.5 shows average prices by super output area (SOA) in 1996, 2001 and 2006. Telford stands out as an island of lower values within a higher priced sea consisting of the rural areas of the Borough (and to a lesser extent Newport), and the rural areas of surrounding districts. There are however some higher priced areas within the built up area of Telford – Priorslee, Ironbridge Gorge, and Admaston. But the most noticeable feature of Map 4.5 is how little the pattern has changed over time. Actual prices have obviously increased substantially, but relative prices between areas have not. The south Telford estates, Dawley and central Telford, Wellington, Hadley and Donnington still form a low value core.

4.50 Although Telford & Wrekin and parts of the surrounding districts form one market in the sense of being a focus of economic activity, migration and travel to work, there is a high and unchanging degree of spatial segregation in prices within the market. For this reason it is also important to look at sub-markets within the authority, and at patterns of movement between them, as Chapter 2 showed.

4.51 Table 4.17 summarises changing prices in the eight housing sub-markets identified in Chapter 2 over the 2002-2006 period.

Table 4.17 Average dwelling price by sub-market area

	2002	2003	2004	2005	2006	% increase	Index of difference
Newport	109750	137750	150537	157495	168973	54	15
North East	110306	127968	151329	148436	155701	41	7
North Central	89917	109005	129184	139785	138533	54	8
North West	88676	110886	138785	141182	147993	67	6
Rural	163301	202458	208135	215607	236592	45	20
South Central	69103	86220	109450	113044	125509	82	10
South Middle	75091	94618	115357	117000	128385	71	7
South South	70765	90879	111710	109371	122261	73	20

Source: HM Land Registry

4.52 There is a strong degree of correlation between variations in prices and the sub-markets. Telford is mainly a low value market serving the needs of lower income households, with limited higher value housing supply. Telford itself can be split into sub-areas, notably the older settlements, north, south and central Telford. Newport is a higher value market, with a mixture of supply including limited lower value housing. It relies on Telford to some extent for employment, but some households living there work locally, or much further afield. The rural areas are a high value market with a very limited supply of low value housing. At higher value levels, they form one market (which pays little regard to the Borough's administrative boundaries). However for lower income households, who are less able to travel or who are dependent on public transport, the rural areas consist of a series of smaller sub-divisions, and hence affordable housing in one sub-area may not be appropriate for the needs of someone living in another one.

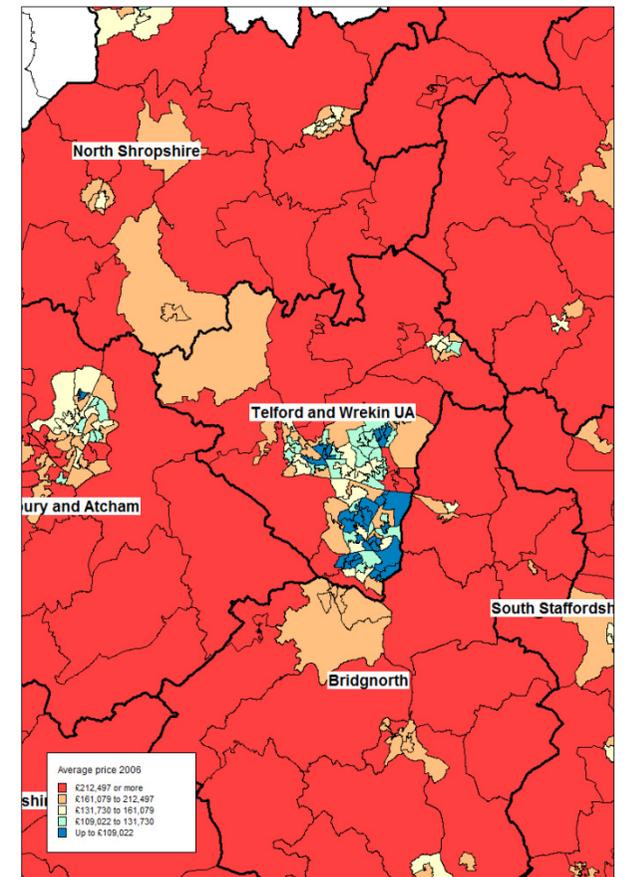
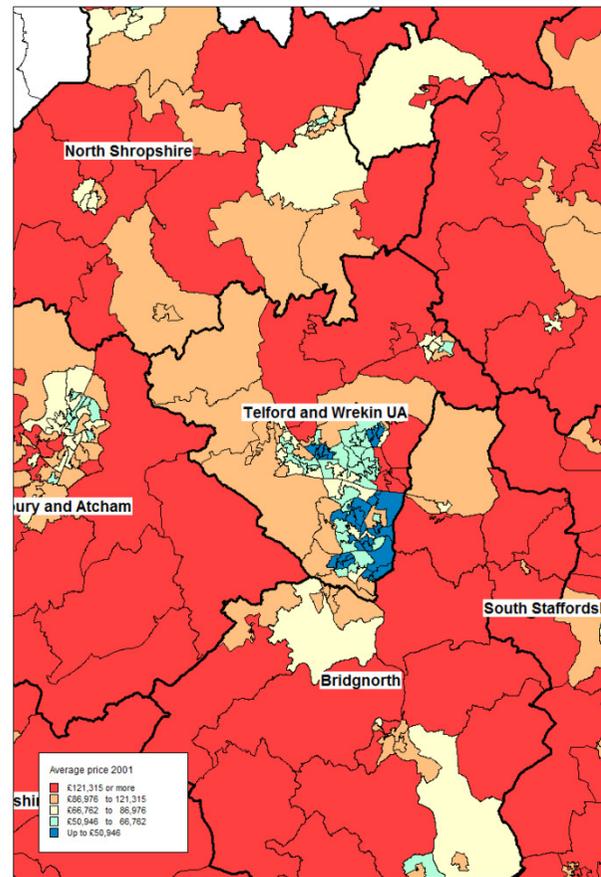
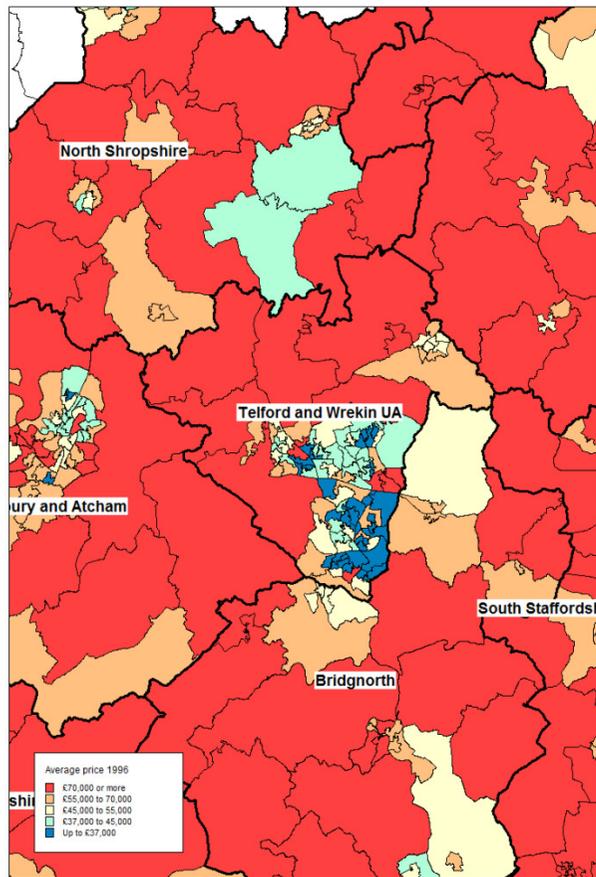
4.53 Figures 4.10-4.12 show price profiles in 2006 for these sub-markets. Figure 4.10 focuses on the four lower value markets – the three south Telford sub-areas and the North Central market in North Telford. Figure 4.11 looks at the two middle markets (North East and North West), which most closely resemble the profile for Telford & Wrekin as a whole. Figure 4.12 looks at the remaining three higher value markets – the North West, Newport, and finally the Rural areas.

4.54 The low value markets have a distinctive peak below the main Telford peak band of £120-130,000. The South South market stands out with an exceptionally large low value peak but this profile is polarised as the area also includes Ironbridge. Strictly speaking these are not one market, as it is unlikely that there is much movement between the two ends of the spectrum. The South Central area has a higher peak and is less polarised than the South South area. The two central areas, North and South, are closer to the overall Telford profile.

4.55 Figure 4.11 shows the middle value markets. The North East area, which includes Priorslee, is polarised like the South South area, with a peak just below the Telford peak. The North West area is similar to the North East, but has fewer higher value properties and so is less polarised. Figure 4.12 shows the two higher value markets. Newport has a higher value profile, with a peak in the £150-190,000 range and a higher proportion of properties in the £200-250,000 band than Telford as whole. The Rural area stands out as the highest value area in Telford with a completely different profile. There are very few sales below £130,000 and the peak is the £300-350,000 band.

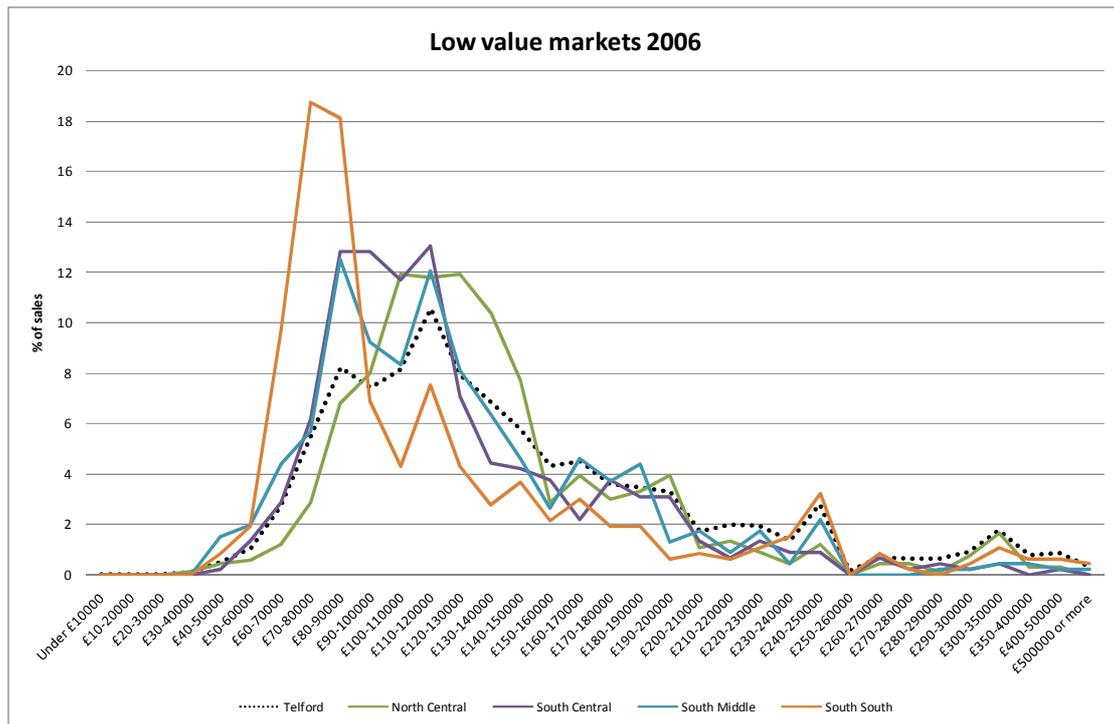
4.56 Table 4.17 summarises the differences of the sub-markets from the Telford & Wrekin profile, which is itself similar to the regional price profile. This is expressed as an 'index of difference' which measures the extent to which the price profile of each sub-region differs from the Telford figure. The higher the index, the greater the difference. Two areas, South South and Rural, stand out, but for different reasons – one is low and one high prices. Newport also shows up as different on this index.

Map 4.5 Average prices 1996, 2001 and 2006 by super output area



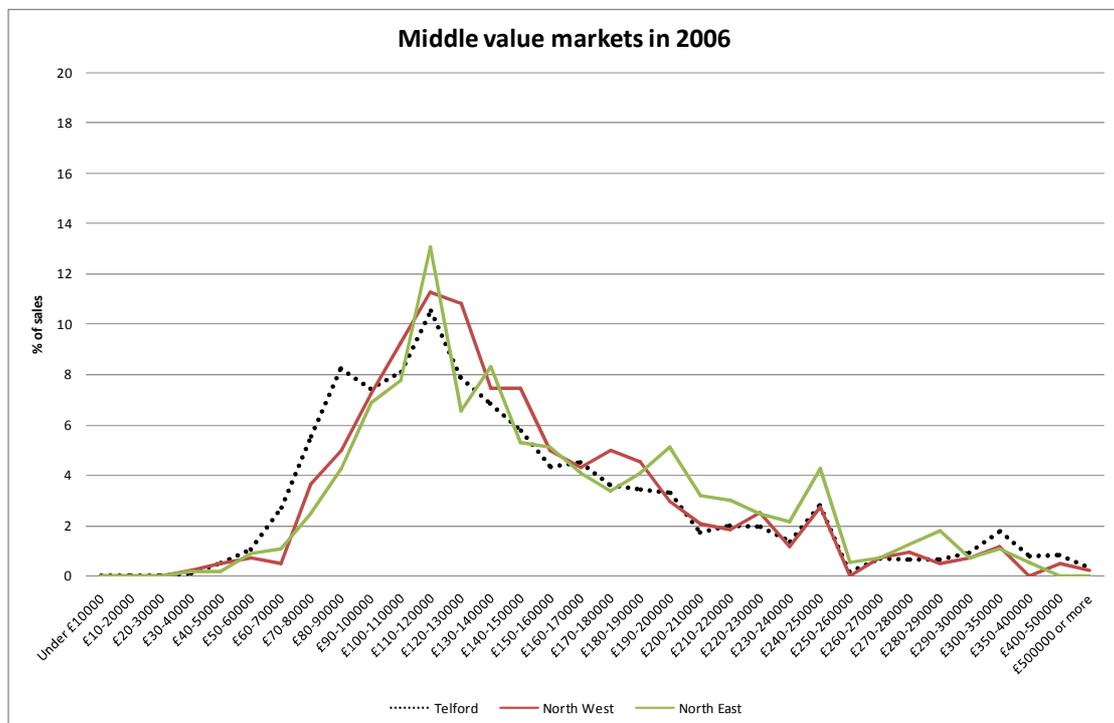
Source: HM Land Registry

Figure 4.10 Low value markets in Telford & Wrekin



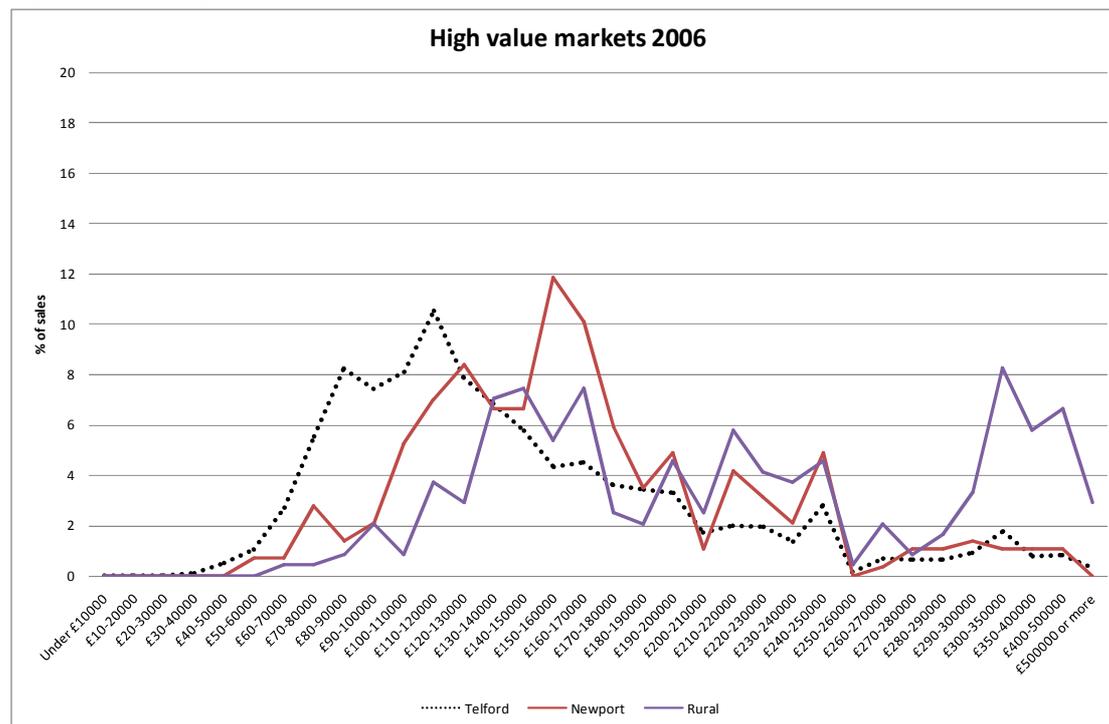
Source: HM Land Registry

Figure 4.11 Middle value markets in Telford & Wrekin



Source: HM Land Registry

Figure 4.12 High value markets in Telford & Wrekin



Source: HM Land Registry

Affordability

4.57 In line with many other areas, the affordability of housing in Telford has worsened substantially in recent years. Figure 4.13 below shows the changing profile of gross weekly earnings in Telford & Wrekin from 2002-2006, using data from the Annual Survey of Hours and Earnings. It plots the threshold of each decile point in the income distribution – in other words it divides all earners living in Telford & Wrekin into ten equal groups ranked by income. Essentially, there was relatively little change in earnings over the 2002 period, except at the upper end of the income spectrum, where earnings increased more rapidly. Average earnings increased from £349 to £397 per week (14%). At the lower end of the spectrum where the problems of affording house purchase would be greatest, there was very little change in absolute terms.

4.58 The annual threshold income below which 30% of earners fell was in 2002 was £11,650 (Table 4.18) and this had risen to only £13,300 by 2006. Assuming that first time buyers could devote 3 times their income to house purchase and couples 4.0 times their income, purchasing power at the 30% threshold increased from about £35,000 for single people in 2002 to £40,000 in 2006, and from £46,500 to £52,250 for couples.

Table 4.18 Earnings thresholds and potential purchasing power 2002 and 2006²².

		Decile point							
		10	20	30	40	Median	60	70	80
2002	Annual earnings	5200	8622	11648	13166	15860	18694	21679	25340
	House purchasing power (single person)	15600	25865	34944	39499	47580	56082	65036	76019
	House purchasing power (part of couple)	20800	34486	46592	52666	63440	74776	86715	101358
2006	Annual earnings	6032	10208	13307	15595	17914	20878	25314	30748
	House purchasing power (single person)	18096	30623	39920	46784	53742	62634	75941	92243
	House purchasing power (part of couple)	24128	40830	53227	62379	71656	83512	101254	122990

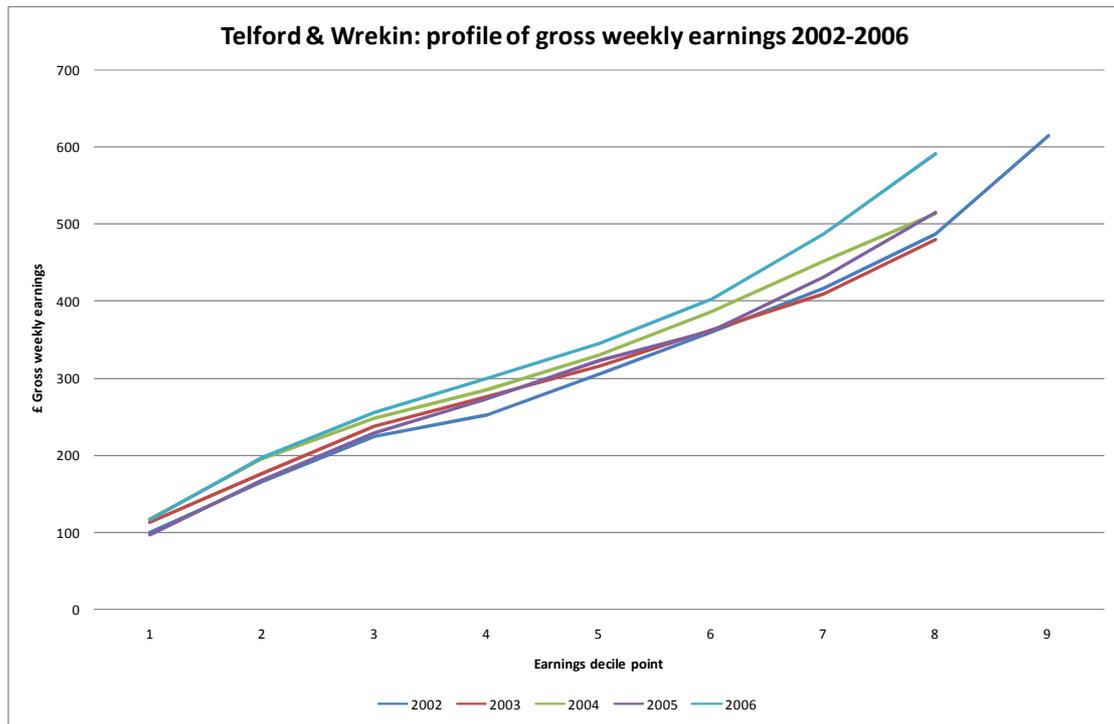
Source: ONS, Annual Survey of Hours and Earnings, 2002 and 2006, residence based. Note: House purchasing power estimates assume a mortgage of 3.0 times earnings (single person) and 4.0 times earnings (couple).

4.59 In contrast, Figure 4.14 shows the decile points for prices in Telford & Wrekin over the 2002-2006 period. Here there was a consistent increase in all the thresholds of around £40,000 over the 2002-06 period. As a result, the cheapest 10% of dwellings increased from about £40,000 to £80,000 whilst the threshold annual earnings level for the lowest 30% of earners increased from £11,650 to £13,300, and the purchasing power of a couple at this threshold point increased from £46,500 to £52,250. From being just about able to purchase a house at the lower end of the price spectrum in 2002, a couple at this earnings level would have found purchase impossible without a very large deposit in 2006.

4.60 It is therefore no surprise that the DCLG affordability index for Telford & Wrekin deteriorated sharply over the 2001-2006 period (Figure 4.15). This index, which measures the ratio of lower quartile prices to lower quartile earnings, rose from 3.67 in 2001 to 6.09 in 2006, broadly in parallel with the ratio for the region and for England.

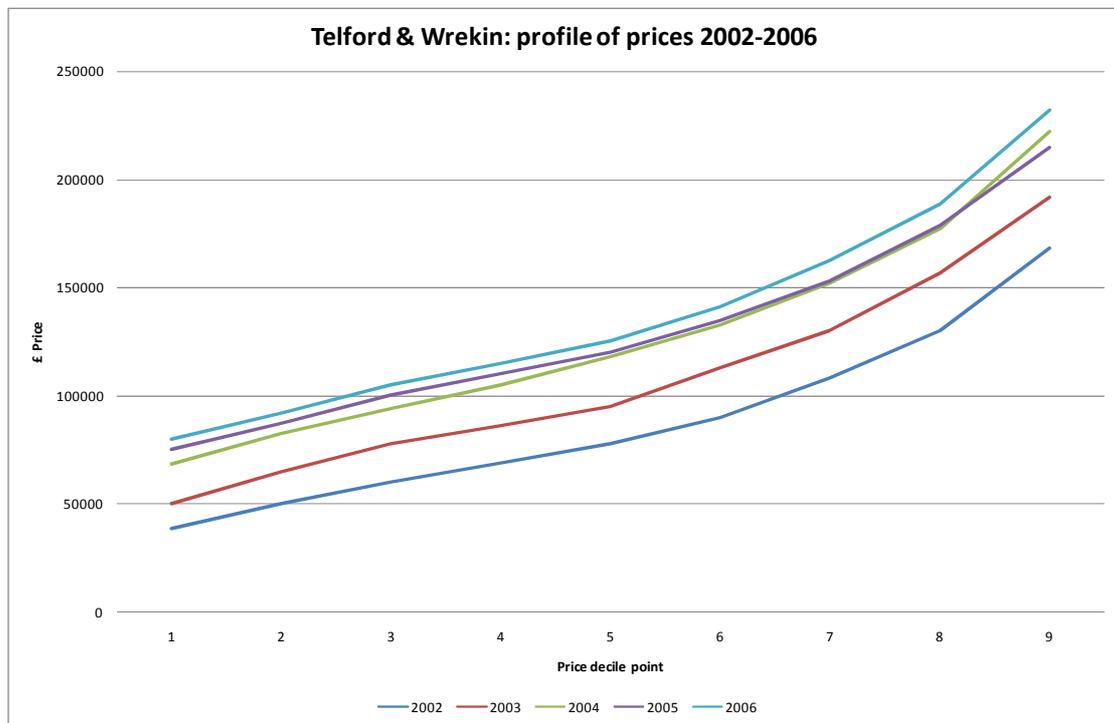
²² Data for the top decile point has been suppressed in the ASHE published results due to unreliability

Figure 4.13 Profile of gross weekly earnings



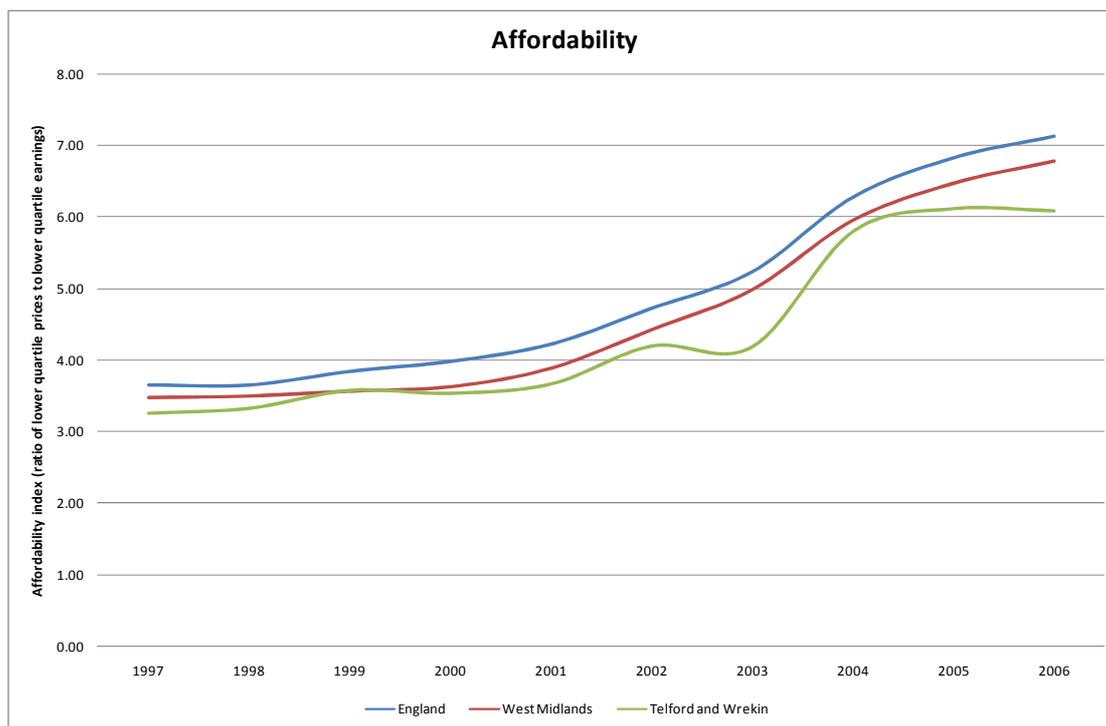
Source: Annual Survey of Hours and Earnings, ONS

Figure 4.14 Telford & Wrekin – profile of dwelling prices



Source: HM Land Registry

Figure 4.15 CLG Affordability Index



Source: DCLG Live Tables

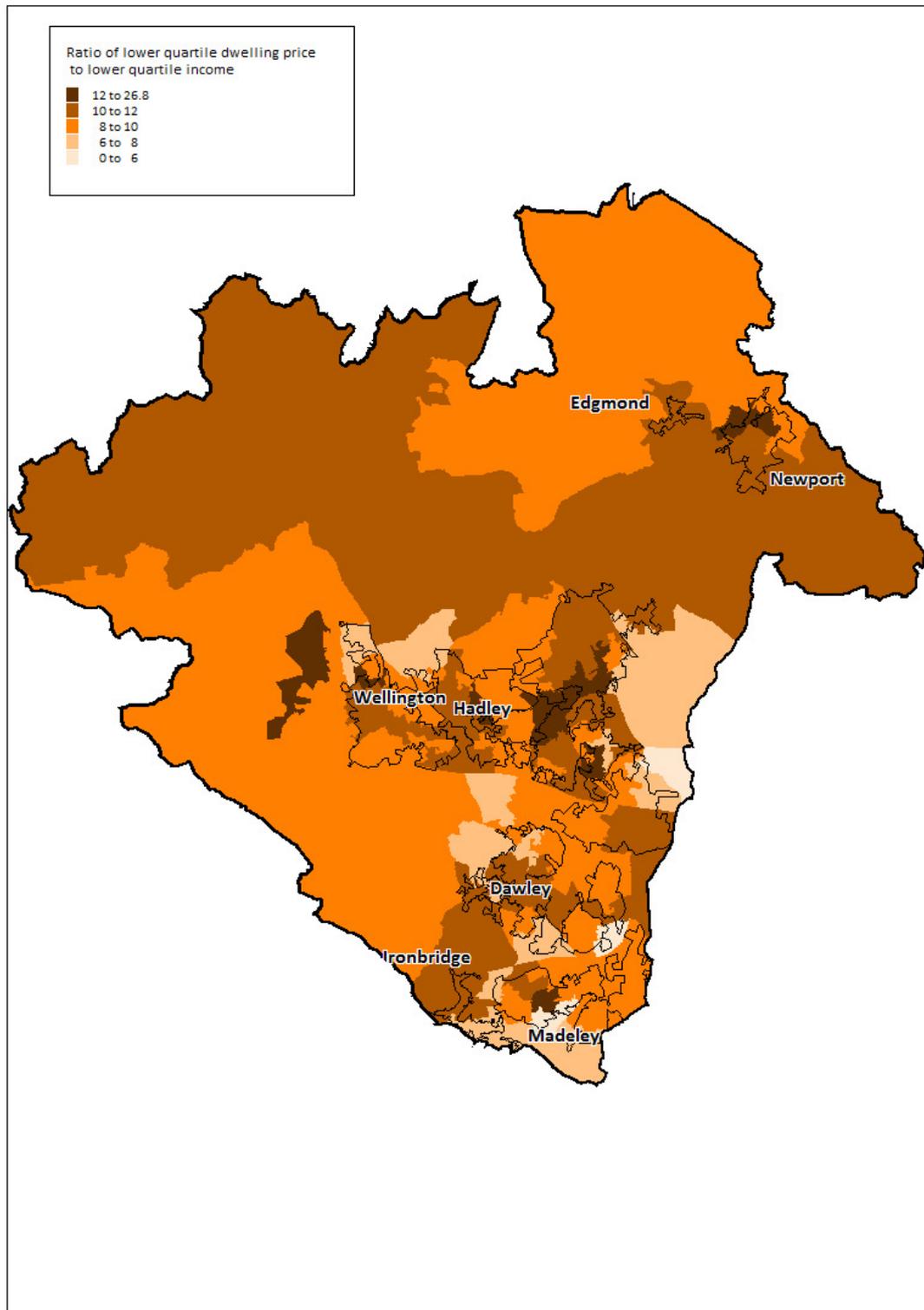
Affordability within Telford & Wrekin

4.61 Both prices and incomes vary within Telford & Wrekin, and as a result, there are variations within the Borough in the relationship between prices and incomes and hence affordability. CLG’s affordability index compares lower quartile prices with lower quartile personal earnings but the availability of data on lower quartile household incomes from CACI Paycheck estimates provides a better measure of affordability at local level because it is household rather than personal income which determines the capacity to meet housing costs. As with the CLG index described above, this is a relative index rather than an absolute one. It shows differences between areas in affordability rather than the number of households who could not afford to buy a dwelling at a particular price level. AS with the CLG index, it compares incomes for all the population rather than first time buyers.

4.62 Map 4.6 shows the distribution of the ratio for LSOAs across the Borough. There were only 3 LSOAs (out of 110) with a ratio of less than 6.0 in Telford & Wrekin in 2009. Areas with ratios in the 6-7 band (the most affordable in the Borough) include Sutton Hill, Woodside, Brookside, Malinslee, Hollinswood, Ketley Bank, and part of Oakengates. However this is still a very high ratio. The least affordable parts of the Borough (with ratios of 10 or more) as would be expected fall within the rural areas and parts of Newport, but also cover parts of

Telford, including Coalbrookdale, parts of Madeley and Dawley, Priorslee, St George, Arleston and parts of Wellington.

Map 4.6 Affordability index by Super Output Area



Source: CACI Paycheck and HMLR

4.63 Table 4.19 below shows lower quartile incomes and prices and the affordability index for the eight housing market areas in 2008/09. The Newport sub-area has the ratio of lower quartile prices to incomes. Although the lower quartile price threshold in Newport is the highest of any housing market area, Newport has only the third highest lower quartile income, so this pushes the ratio up. Newport is followed by the North Central and Rural areas.

4.64 The South Middle and South South areas have significantly lower incomes than the other areas but the lower quartile price in each area is also very low so housing here is the most affordable in the Borough. Even here, however, it is important to note that average prices were over **eight** times average income in 2008/09.

Table 4.19 Affordability by housing market sub-area

	House-holds	Average income 2009	Lower quartile income 2009	Lower quartile price 2008	Lower quartile ratio	Rank
Newport	4,886	33,085	12,117	145,000	12.0	1
North Central	12,891	30,969	11,117	115,000	10.3	2
North East	10,638	36,557	13,273	118,500	8.9	=5
North West	9,296	32,642	12,139	118,250	9.7	4
Rural	6,166	38,961	16,216	161,498	10.0	3
South Central	8,595	30,844	11,004	98,000	8.9	=5
South Middle	8,135	32,029	11,641	95,000	8.2	=7
South South	8,830	29,349	10,320	85,000	8.2	=7
Telford	69,437	32,810	11,896	107,500	9.0	

Source: CACI Paycheck and HMLR

The demand for and supply of social rented housing

4.65 Table 4.20 shows changing levels of demand for social housing in Telford & Wrekin in recent years as measured by the housing register. There are some problems with the use of housing registers as an indicator of social rented sector demand and the data must be interpreted with caution, but as Telford & Wrekin maintains a common register which is regularly updated, these problems are minimised. The overall level of demand increased steadily from 2001 to 2006 before falling back slightly in 2007. More significantly, there was a sharp increase in the intensity of demand from the register when expressed as a percentage of the total social rented sector stock. Pro rata to the size of the social rented sector stock, Telford & Wrekin a far higher level of increase in the register than any neighbouring local authority. The register represented over 37% of the total social rented stock of the Borough in 2006 and about one third in 2007. The

phased introduction of choice based lettings since December 2006 has also attracted some 6000 people to this method of bidding for housing.

4.66 The increased demand for social rented housing up to 2006 must to some extent have reflected the worsening affordability position, but declining levels of new lettings have also contributed. Table 4.21 shows levels of lettings in recent years. Here the general picture is of a sharp decline since 2000. If letting levels had continued at the level achieved in 2000/01, there would have been an additional 3,887 lettings over the subsequent period, compared to an increase in the list of 2,855. The decline in lettings since 2000 has not been consistent and has been most marked from 2003 onwards. The decline in lettings in Telford & Wrekin part of an observed national trend in the decline of social rented sector lettings. In some cases, the decline in lettings represents the results of programmes to demolish obsolete stock, which both reduces relets directly and creates a new source of demand to absorb new lettings. This affected lettings in Telford to a considerable extent at the period when demolitions were underway in Woodside. The right to buy may also have reduced lettings levels, especially up to about 2004 when take up was generally higher than at present. But the extent to which this reduces short term lettings, as distinct from those which would arise in the longer term, is limited. The more general factor leading to reductions in re-lets is likely to have been the widespread increase in dwelling prices relative to incomes described above which has made housing increasingly less affordable in the Borough. This has reduced the rate of exit from the sector by younger households entering owner occupation.

4.67 In the past, a worsening of affordability problems of the order seen in recent years would also have increased demand from newly forming households or those seeking to do so, and might perhaps have contributed to increasing levels of homelessness. The fact that this has not occurred on a large scale is due to the growth in the capacity of the private rented sector to accommodate newly forming households, especially younger people.

Table 4.20 Housing registers 2001-2006

Local authority	2001	2002	2003	2004	2005	2006	2007
Housing register at April	1686	2124	2685	3194	3960	5137	4541
Housing register as percentage of social rented sector stock	11.1	14.3	18.7	23.2	29.0	37.5	32.2

Source: HSSA

Table 4.21 New lettings to local authority and housing association tenants (excluding transfers)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Notional loss of lettings 2000-2007	Increase in register 2000-2007
New lettings to LA and HA tenants	1,667	1,220	818	1,229	981	907	960	3,887	2,855

Source: HSSA

Wider market demand

4.68 It is also important to look at the overall dwelling-household supply-demand balance and at changes in this over time. Table 4.22 shows the approximate supply demand balance over the period 1994-2006 obtained by drawing household and stock data together. The table allows for a 3% nominal vacancy rate. Data for 2006 is based on household forecasts rather than estimates of actual numbers, which are not yet available. In order to set the findings for Telford & Wrekin in context, the table shows data for neighbouring authorities and those in the Black Country/Birmingham area, using comparable data sources.

4.69 Only broad conclusions should be drawn from this table, because of uncertainties in the accuracy of data sources. Bearing this in mind, Sandwell, Wolverhampton and Walsall stand out as having a consistently weak level of demand relative to supply. Birmingham has a much tighter position, which is not surprising given the high levels of net international in migration which it has experienced in recent years. Telford & Wrekin has had a consistently tight market since the mid 1990s, compounded by the fall-off in completions since 2000.

Table 4.22 Notional supply demand balance

+=surplus	Dwelling surplus/shortage with 3% void rate						
	1994	1996	1998	2000	2002	2004	2006
Birmingham	-7460	-5400	-650	4523	-2940	-919	-8197
Bromsgrove	2230	-450	-929	-586	-564	-794	93
Dudley	-1550	-1328	-341	177	-1083	-494	-219
North Shropshire	-385	-51	330	-441	-886	27	-164
Sandwell	2550	2434	2500	5020	4121	2057	2340
Shrewsbury and Atcham	113	-193	-536	82	-289	30	656
South Staffordshire	264	-748	-251	-550	-85	496	-182
Stafford	-463	-143	215	-163	147	-115	997
Telford & Wrekin	143	-811	-948	-1724	-1940	-2331	-3360
Walsall	-416	-1314	1264	2404	2272	2540	1925
Wolverhampton	795	4074	4703	4046	2048	1129	785

Source: DCLG and HSSA. Note: a negative figure represents a *shortage* of housing, and a positive figure a surplus.

Key issues - drivers of housing market change

4.70 This detailed review of developments in the housing market in Telford & Wrekin over the last one to two decades has identified the following key trends:

- The population of Telford & Wrekin has increased consistently by an average of 1.2% per annum over the last 25 years, making it one of the fastest growing areas in the region. In the last two decades this has been private sector led growth, facilitated by land made available by English Partnerships in line with regional planning policy. Since 2001, the rate of population and household growth has fallen off as new development in the town has slowed.
- Over the whole period since 1994, natural change and migration have each made up about 50% of the Borough's population increase, but since 2000, natural change has accounted for two thirds of growth.
- Compared with the West Midlands region and England, Telford & Wrekin still has a relatively young population, but in the last decade there has been a steady decline in the numbers of people aged under 44 and an increase in older age groups.
- The number of households has increased rapidly over the 1981-2006 period, on average by 2.2% per annum, although the rate of growth has fallen since 2002. The average household size has declined consistently from year to year from almost 3 persons per household in 1981 to 2.38 in 2006.

- In terms of household rather than population numbers, growth is driven both by population increases (from natural change and migration) and by the continuing trend towards smaller households, especially people living alone. Over the 2000-2006 period, 50% of household growth (2,400 households) was accounted for by the decline in average household size rather than by population growth.
- Couples accounted for 57% of all households in 2007, followed by single people (28%), lone parent households (9%) and other multi-person households (6%). Telford & Wrekin still has more couples and fewer single people than the region and England and Wales, suggesting that the process of household size decline has further to run here.
- Telford's economy has been strong in recent years. Unemployment overall is lower than for the region. The Borough is a significant net importer of labour, but relatively small proportions of residents commute out of the Borough and relatively few of the workforce of the Borough commute in.
- However the Borough has an occupational profile skewed strongly towards skilled trades and process/machine operation within manufacturing and away from professional, managerial, administrative and sales/customer service occupations within the service sector. There are also more employed and fewer self employed people in Telford & Wrekin. This presents a considerable challenge to the future of the economy.
- In the past, Telford & Wrekin has had a reputation as an area with low pay levels. The median gross weekly pay for *full-time* employees is now comparable with the regional figure, but female earnings and hourly rates still lag behind. There is also evidence of increasing disparity between the upper and lower ends of the income spectrum, in other words of income polarisation. This is strongly associated with the number of earners in each household, with two earner households accelerating away from those with only one or no earners.
- This polarization is reflected in statistics on deprivation which show 20 SOAs falling within the 20% most deprived neighbourhoods in the country whilst 18 fall within the 20% least deprived neighbourhoods.
- Despite two decades of rapid change, the proportion of public sector stock in Telford & Wrekin is still slightly higher than the regional or national averages, and the proportion of privately owned housing is

lower. This reflects the New Town legacy. Within the private sector, the proportion of private rented stock is also comparatively small. However, right to buy sales and the predominance of private housing in new development are likely to shift the profile closer to the regional picture in the future.

- Telford & Wrekin also has a strikingly different dwelling type profile from that of England as a whole. Compared to England, Telford & Wrekin has a much newer housing stock, with older dwellings confined to the pre-New Town settlements, Newport and the rural areas. The older stock suffers from much the same condition problems as elsewhere, but there are also problems with some newer stock built to non-traditional designs, some of which has recently been demolished.
- The Borough has considerably more detached and semi-detached houses, than the region or England, offset by fewer terraced houses and flats. Furthermore, the proportion of flats which are purpose built (as distinct from converted from other dwellings or buildings) is also much higher in Telford than in England as a whole.
- The overall dwelling vacancy rate has been low throughout the 2000-2007 period, but has declined from over 3.5% in 2001 to about 2.5% in 2007.
- For many years, new dwelling completions averaged around 950, but since 2000, there has been a decline. Provision is well short of the current RSS target of 1,300 completions per annum, probably as a result of a shortfall in the supply of developable land on the market.
- Dwelling prices in Telford & Wrekin, in line with other areas in the Midlands and North, increased only slowly from 1996 to 2001. From 2002-2004 prices increased very sharply. In the last two years prices have continued to increase, but at a slower rate. Over the whole period, the median price of a dwelling in Telford & Wrekin increased by 171%. The average price in 2006 was £147,500.
- Prices in Telford & Wrekin are slightly lower than those in the West Midlands as a whole. The highest prices in the region are in the south eastern area, and in the rural west. Prices in the West Midlands and North Staffordshire conurbations are much lower. Telford falls between these, but has a significant pool of lower value stock in the old pre-New Town industrial settlements and in the ex-Development Corporation estate dwellings which have passed into the private sector. It has a shortage of stock in the price bands above £300,000 which attract

managerial and professional households in comparison to the region as a whole.

- Prices rose most steeply in the 2001-2004 period. Within the Borough, prices increased most in areas such as south Telford where they were previously lowest, reflecting the impact of measures to regenerate these areas and a general 'catching up'. Some demand came from first time buyers and other low income owners forced back down market, but in addition a significant amount of demand came from buy to let purchasers, other private landlords, and speculators, attracted by relatively low prices and the potential for a higher rate of return arising from this. Given the worsening affordability situation, private landlords were effectively creating their own market by out-competing first time buyers and then renting to them.
- Despite this, there are still major variations in prices within the Borough. Telford is mainly a low value market serving the needs of lower income households, with limited higher value housing supply. Newport is a higher value market, with a mixture of supply including some lower value housing. The rural areas form a high value market with a very limited supply of low value housing. At higher value levels, they form one market (which pays little regard to the Borough's administrative boundaries), but for lower income households more dependent on public transport, the rural areas consist of a series of smaller micro-markets.
- In line with many other areas, the affordability of housing in Telford has worsened substantially in recent years. From being just about able to purchase a house at the lower end of the price spectrum in 2002, a couple in the lowest third of the income spectrum would have found purchase impossible without a very large deposit in 2006. DCLG's affordability index, which measures the ratio of lower quartile prices to lower quartile earnings, rose from 3.67 in 2001 to 6.09 in 2006 for the Borough as a whole.
- Within the Borough, the rural areas and Newport have the most serious affordability problems, despite higher average incomes. This poses particular problems for newly-forming households in these areas who can readily be out-competed by more affluent households from elsewhere in the Borough. At the other extreme is south Telford, with lower average prices. However the extent of the affordability problem in the Borough is such that even here average prices were over five times average incomes in 2006. This represents a complete turnaround from the position in 2000

when the market in these areas suffered from a lack of demand and vacancy rates were a cause of great concern.

- The demand for social rented housing increased over the 2000-2006 period, as would be expected given the worsening affordability picture in the private market. The social housing register has grown, but much of this can be accounted for by the decline in new social rented lettings over the 2001-2006 period – fewer people have been leaving the sector, so there are fewer opportunities for new entrants, whilst at the same time regeneration in Woodside and other areas has also reduced supply and generated rehousing demands. But demand for social rented housing has not increased by as much as might have been expected, because more people have found housing in the private rented sector.
- More generally, comparing household and dwelling estimates for Telford & Wrekin shows a sustained position of housing shortage over the past decade which compares with surpluses in some neighbouring authorities in the Black Country. The level of shortfall has increased as completions have fallen in the period since 2000.
- This brief overview of the spatial dimension to the local housing market has demonstrated that Telford & Wrekin has evolved into a regionally significant centre, which now influences a hinterland which is largely westward facing and has a demographic profile which is producing strong household growth. However, the area also has regeneration challenges to manage in addition to demographic change.
- Planning policy and the release of land for development have been key drivers of the housing market in Telford & Wrekin for the last four decades, although growth has been generated by private sector development in the last two decades.

4.71 Hence there are four key drivers which need to be taken into account in understanding the market in Telford & Wrekin and in looking forward. First and foremost, as a new town and a subsequent area of continuing growth, Telford is a planned settlement and planning and related policies have dominated its housing market since the 1960s, creating firstly a concentration of social rented housing and more recently a diversification of the market in terms of both tenure and housing type. Secondly, demographic trends have played a major part in the development of the housing market in the past, with a high level of population and household growth through migration, but more recently through natural change as well. As the town has matured, it has moved to a position where its own population creates considerable growth dynamic, especially in terms of

household growth. Most migration into the town is now unplanned and Telford has the close migrational linkages with its surroundings in Shropshire and Staffordshire that would be expected of any major urban area. The one link to the town's past is the scale of development which is still substantial. Like many other areas, the town has more recently seen the impact of higher levels of international migration, which has contributed to increased demand and rising house prices.

4.72 The third driver of growth is the town's economy. As a result of past economic growth policies, the town is a major centre for employment and commuting both in and out is at relatively low levels. The town's economy, though, is heavily dependent on manufacturing and through its structure vulnerable to plant closures in the increasingly global business environment. The structure of employment has in the past created a relatively low value housing market, with a shortage of higher value housing and relative over-provision of social rented housing. There is a huge legacy of poor quality ex Development Corporation housing which poses a great challenge for the town relative to its resources.

4.73 Finally, as in all or most parts of the country, Telford & Wrekin has experienced a period of sharp price rises which have virtually eliminated any low value market sectors within the town. This has been driven by speculative investment and speculation will play a continuing part in the local market, increasing the pressures on affordable social rented housing but at the same time providing a means of meeting housing need and an alternative set of housing options for some groups.

4.74 This Chapter has looked at the market in the past. Chapter 5 now turns to look at the factors which will influence the market in the future.

5 The future housing market

Introduction

5.1 This section turns to look at the future housing market in Telford & Wrekin, drawing on evidence from demographic and economic forecasts and the policy context set out in Chapter 3. It examines potential changes in the total number and composition of households in the Borough in the future, the ways in which economic factors might influence total future demand, and potential future changes in affordability brought about by investment in housing. It concludes by examining the key issues for housing and planning strategies and policies which arise from future market changes.

Population and household projections

5.2 ONS produces projections of future population, the most recent being the 2004-based sub-national population projections. These are essentially trend-based, in that they assume that past trends in the economy and demographic factors will continue unchanged in the future. In addition, ONS projections are constrained to national projections.

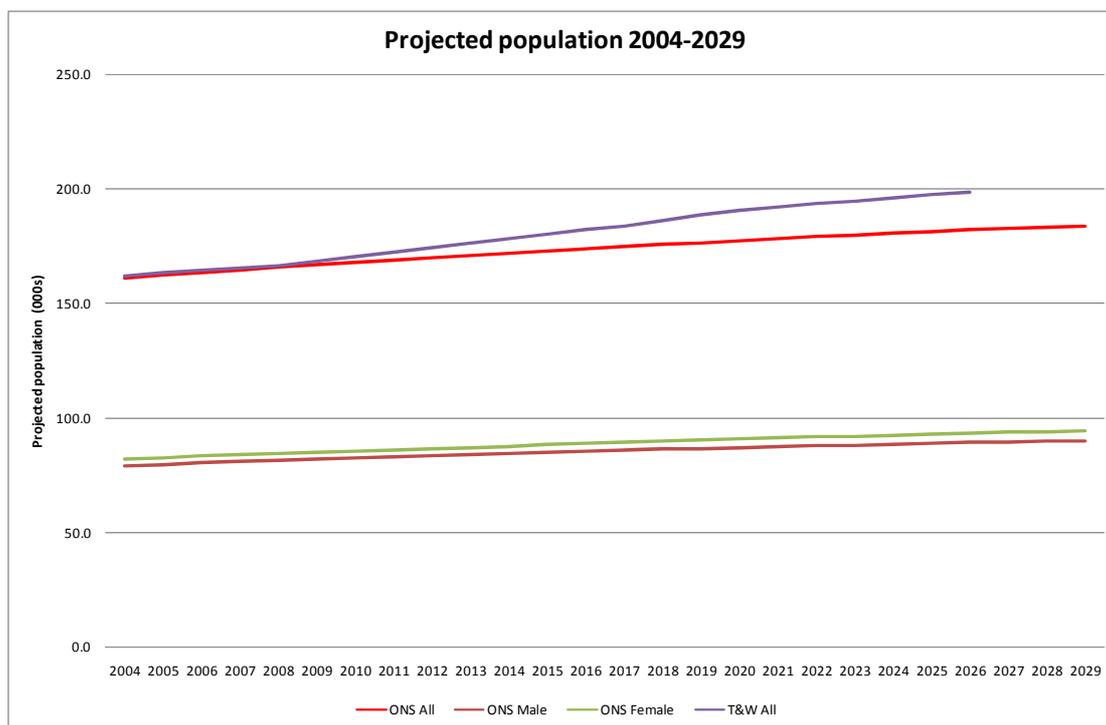
5.3 As described in Chapter 3, the Borough of Telford & Wrekin has also produced its own projections based on detailed local evidence on migration and recent and anticipated levels of housing construction. This projection is unconstrained by national projections. In addition, it is partially a 'housing-led' projection – that is to say it feeds assumptions about future housing provision into the forecast, by converting dwelling completions into households and thence households into population. If changed levels of new housing provision are anticipated, this technique will produce forecasts which are 'policy on' rather than trend based.

5.4 In addition, DCLG has produced household projections which are based on ONS projections. These produce projections of the total number of households and a breakdown of future households by type.

ONS trend-based population projections and DCLG household projections

5.5 Figure 5.1 shows the overall projected population for Telford & Wrekin over the period from 2004-2029 drawing on the ONS 2004-based sub-national population projections. Telford & Wrekin's population is projected to grow from 161,000 in 2004 to 183,700 in 2029, an average increase of 900 people per annum. The rate of growth is steeper in the early part of the projection period. The proportion of females in the population is projected to rise from 50.9% to 51.2%.

Figure 5.1 Projected population 2004-2029



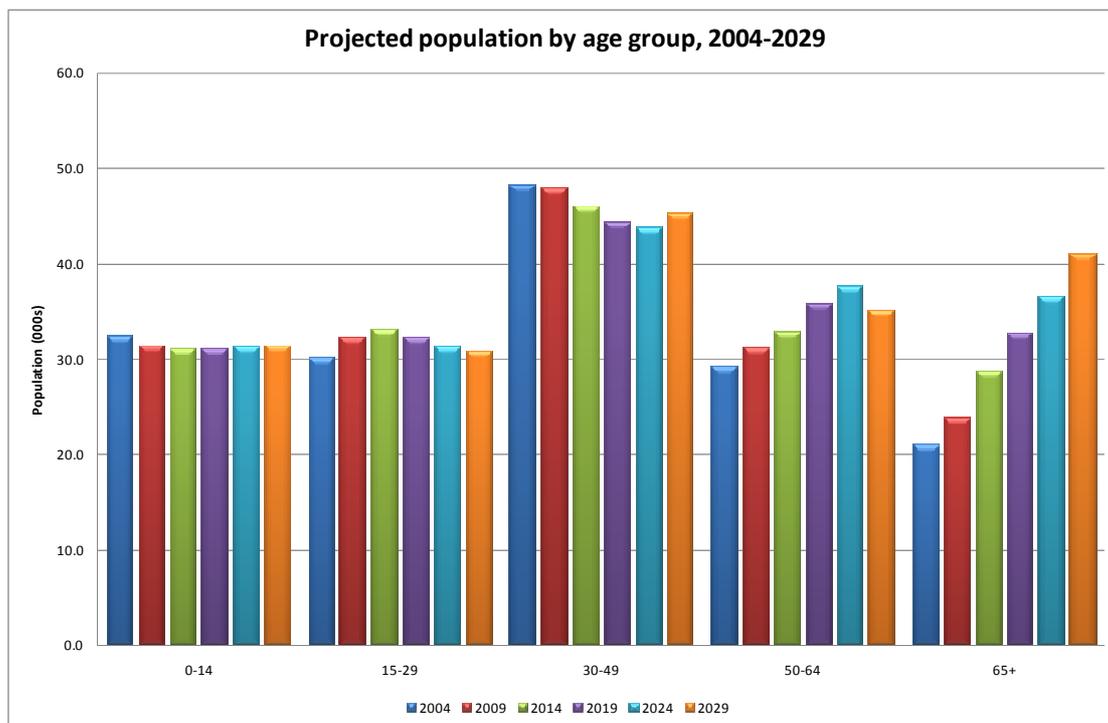
Source: ONS

- 5.6 Turning to the projected age breakdown of the population, the proportion of children under 15 is projected to decline steadily over the 2004-2029 period. The 15-19 group will remain static at first but decline after 2019. The proportion of people aged 20-24 is projected to increase from 6.0% to 6.5% over the 2004-2029 period, but the proportion aged 25-29 is expected to remain unchanged. These are key household-forming groups. Overall, the numbers of people aged 15-29 will increase by only 800 over the 2004-2029 period.
- 5.7 The 30-34 age group shows a sharp decline from 7.5% to 5.7% of the population and the 35-39 age group will show a similar decline. The proportions of people in the 40-44 and 45-49 age groups are projected to increase. The number of people in their 30s and 40s are projected to fall by 3,000 over the 2004-2029 period and the number of children will reduce by 900.
- 5.8 The proportion of people in the 50-54 and 55-59 groups will decline, but the 60-64 will group will increase. Overall, there will be an increase of around 5,900 in this group.
- 5.9 Finally, increases are projected in the proportion of all groups aged 60 or more. In total, the number of people aged 65 or more in the Borough will grow by 20,100 over the 2004-2029 period. This represents a doubling of the numbers in this age groups. Some 86% of the total growth in the Borough from 2004-2029

will be accounted for by people aged 65 or more, and this group will increase its share of the total population from 13% in 2004 to 22% in 2029.

5.10 Figure 5.2 summarises these changes. This clearly has major implications for service provision which are examined further in Chapter 7.

Figure 5.2 ONS Projected population by age, 2004-2029



Source: ONS

5.11 Table 5.1 shows the components of projected population change in terms of natural growth and migration. Over the whole period, natural change makes a slightly greater contribution to growth than net migration. Virtually all net migration into Telford is projected to be from within the UK rather than from abroad. The soundness of this assumption is questionable, given recent trends in international migration (see Chapter 4). The extent of net international migration is a key uncertainty for future housing market assessment in Telford & Wrekin as it is elsewhere.

5.12 Table 5.2 shows DCLG households forecasts derived from these projections. The number of households in the Borough is projected to rise from 66,100 in 2004 to 85,500 in 2029, an increase of 19,400 households or 29%. The annual increase in household numbers is projected to average 776.

5.13 Household growth of 19,400 compares with projected population growth of 22,700. This emphasises the extent to which the decline in household size from 2.4 persons to 2.1 persons contributes to the future growth of households in

Telford. If the average household size were to remain at the 2004 level, there would be 10,300 fewer households in 2029. Declining household size thus accounts for 53% of future household growth.

- 5.14 In terms of household type, 60% of future household growth is in single person households. This has implications for the type and size of housing required in the future, suggesting a need for more small units. However this assumption needs to be tested through market research to determine the space requirements and preferences of single households in the Borough. Single people may require larger accommodation if they form a relationship, have visitors (for example children from a previous relationship), work from home, or if their lifestyle requires it. The number of couple households is also projected to increase (23% of the total household growth), largely through an increase in cohabitation. A further 11% of growth will be accounted for by multi-person households, and 8% by lone parent households.
- 5.15 DCLG projections at local authority level do not provide a breakdown of households by age, but looking at the projections in combination with projected population change suggests that a significant proportion of future household growth will be amongst single older people. This is in line with national trends. It arises in part from the ageing process, as one person in a couple survives the other, and in part from anticipated increases in rates of divorce and separation amongst older age groups. In addition, increasing numbers of single people in middle age will remain living alone in old age. Household definitions are also increasing undermined by changes in lifestyle and living arrangements, with increasing numbers of people in relationships maintaining separate accommodation, especially if they work in different areas.
- 5.16 The overall annual level of demand for housing implied by DCLG forecasts for Telford is 776 per annum from 2004-2019, or perhaps 800 dwellings allowing for vacancies to allow for movement within the stock. This falls well short of current RSS requirements for Telford which run at 1,300 dwellings per annum to 2011, but exceeds RSS provision (which falls back to 700) after this date. RSS provision does not at present go beyond 2021. The level of new household formation also falls short of Options 2 and 3 in the Draft RSS Review.

Table 5.1 Components of population change 2004-2029

Population	000s									
	2005	2006	2007	2008	2009	2010-2014	2015-2019	2019-2024	2024-2029	Change 2004-2029
Total population	162.3	163.5	164.7	165.8	166.8	171.9	176.5	180.6	183.7	21.4
Natural Change	0.7	0.6	0.6	0.6	0.6	3.0	2.5	1.5	1.0	11.1
All Migration net	0.6	0.6	0.5	0.5	0.5	2.0	2.0	2.0	2.0	10.7
Net internal migration	0.6	0.6	0.5	0.5	0.5	2.5	2.0	2.0	2.0	11.2
Net international migration	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Total Net Migration	0.6	0.6	0.5	0.5	0.5	2.0	2.0	2.0	2.0	10.7
Internal Migration Into Area	5.9	5.9	5.9	5.9	5.9	30.0	30.0	30.0	30.0	149.5
Internal Migration Out of Area	5.3	5.3	5.4	5.4	5.4	27.5	28.0	28.0	28.0	138.3
International Migration Into Area	1.4	1.3	1.3	1.3	1.3	6.5	6.5	6.5	6.5	32.6
International Migration Out of Area	1.3	1.3	1.3	1.3	1.3	6.5	6.5	6.5	6.5	32.5

Source: ONS

Table 5.2 DCLG 2004-based household projections 2004-2029

	2004	2006	2011	2016	2021	2026	2029	Change 2004-2029	Annual average	% change
Married couple	31,600	31,600	31,400	31,500	31,500	31,500	31,300	-300	-12	-1
Cohabiting couple	6,800	7,400	8,700	9,600	10,300	10,900	11,200	4,400	176	65
Lone parent	6,000	6,300	6,800	7,100	7,300	7,400	7,500	1,500	60	25
Other multi-person	3,800	3,900	4,200	4,700	5,200	5,600	5,900	2,100	84	55
One person	17,900	18,900	21,500	24,100	26,600	28,700	29,600	11,700	468	65
All households	66,100	68,000	72,600	77,000	80,900	84,000	85,500	19,400	776	29
Private household pop	158,900	161,300	166,006	171,400	175,700	179,100	180,700	21,800	872	14
Ave household size	2.403	2.372	2.295	2.226	2.172	2.132	2.113	-0.29		-12

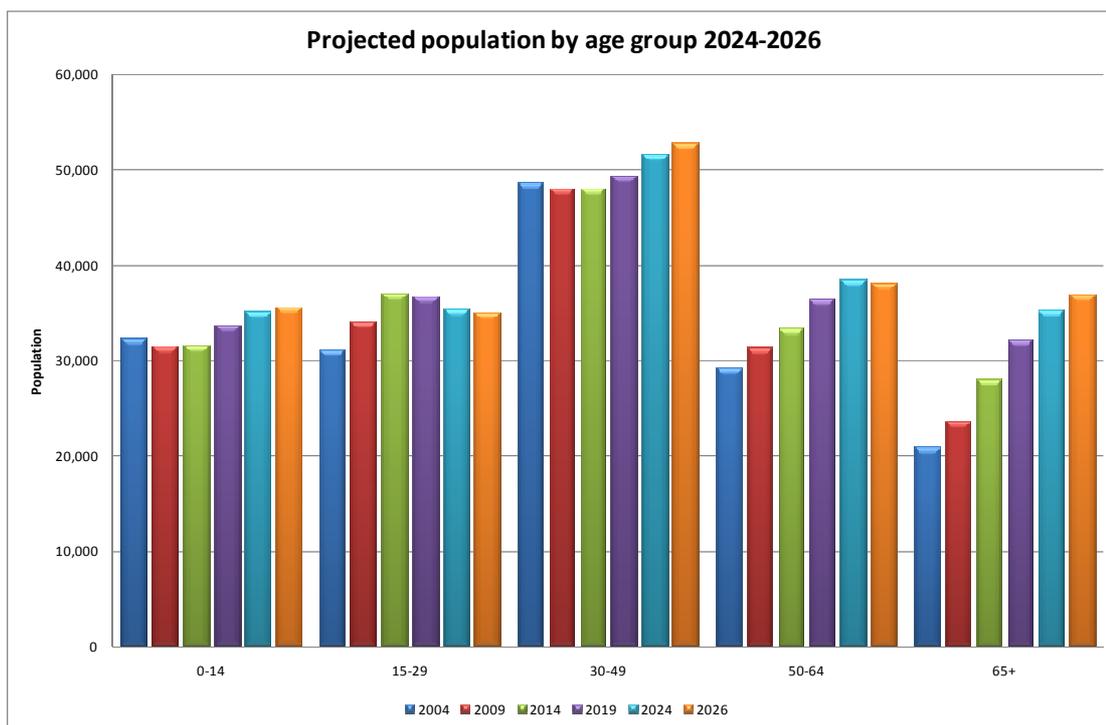
Source: DCLG

Telford & Wrekin population projections

- 5.17 As Section 4 indicated, Telford & Wrekin have produced alternative population projections for the Borough covering the period up to 2026. These projections take account of local information on natural change and on migration. They also include a housing led component which takes assumptions about future housing provision and converts this to additional population on the basis of evidence on past trends. A description of the methodology is available from the Council²³. This assumes new provision in line with Option 2 of the Draft RSS Review, modified to reflect the fact that actual housing completions from 2001-2006 were at a lower level. This reduces new housing provision to 26,700.
- 5.18 Figure 5.1 compares population growth under the Telford & Wrekin (TW) projection with that produced by ONS. From a base in 2004 about 1,000 higher than ONS, the TW projection increases to reach 198,400 by 2026, compared to 182,000 under the ONS projection. This is just over 16,000 or 9% higher. The additional growth is brought about partly by the higher baseline and partly by assumptions about higher levels of new development which are more in line with Regional Planning Strategy. In that sense this is a 'policy on' projection. If recent trends were to continue, this projection would be over-optimistic about growth. The ONS projection follows past trends, but may not pick up recent migration growth, and so may under-estimate future growth, even if RSS plans are not achieved.
- 5.19 Figure 5.3 shows the TW projected age structure. This is broadly similar to that projected by ONS for those aged 50 or more, although the growth in older people aged 65 or more (16,100) is less than that projected by ONS, with correspondingly more growth in the 50-64 age group. The main difference is in younger age groups, where the TW model projects growth of 3,300 children (compared to a small decline projected by ONS), and 3,900 young adults (compared to a small decline projected by ONS). The biggest difference related to the 30-49 age group, when TW projects growth of 4,200 compared to decline of 3,000 projected by ONS. This arises because of lower ONS assumptions in the baseline about recent migration and because the TW projection assumes higher levels of new building.

²³ Reference to be added

Figure 5.3 TW Projected population by age, 2004-2029



Source: Telford & Wrekin Council

5.20 The Council has not produced household projections from its population forecast which are comparable with those produced by DCLG. A simple projection of household numbers under this variant can be produced by dividing the additional population under the TW projection by the 2026 average household size as projected by DCLG. This projects an additional 7,700 households by 2026, or 91,700 compared to 84,000 in DCLG projections. In the base year of 2004, the TW projection implies 66,600 households compared to 66,100 projected by DCLG. Over the 2004-2026 period, this represents a projected annual growth of 1,140 households per annum compared with 776 projected by DCLG. It should be noted that the projection period here is to 2026 rather than 2029 as in the ONS/DCLG projections.

5.21 The TW projection thus implies a significantly higher level of annual new household formation than ONS, with a correspondingly higher level of population and households at the end date (in this case 2026). This is to be expected given that it is based on new completion levels related to Draft RSS targets rather than past trends.

5.22 The TW projection does not provide details of household type. The wider processes of change in societal preferences for independent living which underlie DCLG projections apply equally to the TW projection, so a high level of growth in single person households can be expected. The size and type of dwellings provided on new sites may also exert an influence. If for example all

new development were in the form of 4 bedroom detached houses, or one bedroom flats, this would exert some influence on the type of household forming, but such an outcome is not realistic. The TW projection assumes higher growth than ONS in the 30-49 and 0-14 age groups, suggesting that families will occupy many of the new dwellings. It may therefore be that the TW projection implies more couple-headed households and a corresponding decrease in the overall number of households forming.

Future economic change

5.23 Chapter 4 indicated that Telford's economy has been strong in recent years with low unemployment levels. However the Borough has an occupational profile skewed towards manufacturing which is vulnerable to competitive pressures in today's global economy. These pressures emerged in the late 1990s and early 2000s and were reflected through closures and downsizings in the manufacturing sector. Within manufacturing, there is an over-representation of declining sectors, contributing to Telford's reputation as a low wage area. This dependency on poorer performing sectors in manufacturing, and the weaker service sector make the economy vulnerable in the future without action to diversify it.

5.24 To tackle these issues, the Borough prepared a new economic development strategy in 2004²⁴. By 2021 the strategy aims to:

- Diversify the economy so that it is resilient to shocks and cycles in individual business sectors;
- Build on recognised strengths in knowledge-intensive industries with long-term growth prospects, including value-added manufacturing;
- Achieve a correspondingly high increase in economic output;
- Grow the workforce from 84,500 people in 2005 to 110,000 people in 2021, with high skill levels, and average wages matching UK norms;

²⁴ See *Economic Development Strategy*, Borough of Telford & Wrekin (2005) and *Telford & Wrekin economic development strategy – update* (2006). The *Local Development Framework pre-submission consultation technical paper on Economic Development* (September 2005, available at www.telford.gov.uk) contains a detailed economic profile of the Borough. Transforming Telford's website (www.transformingtelford.co.uk) provides up to date information on economic development and related projects in the Borough.

- Through this to create an accessible, proud, vibrant and diverse city, at the heart of a Borough which has a reputation for innovation and for quality of life.

5.25 These aims are being addressed through focusing on clusters, knowledge intensive industries, leadership and entrepreneurship, workforce skills and delivering key physical infrastructure projects .One of the first steps was the creation by the Borough of Telford & Wrekin Council, English Partnerships, Advantage West Midlands and the private sector of Transforming Telford as a company limited by guarantee to directly deliver and indirectly support a series of key projects to drive forward economic change. Transforming Telford’s web site provides full details of what is proposed, but in summary, *the most relevant short and medium term projects impacting on the development of the future housing market* are as follows:

- transformation of the Town Centre over the next 10 – 15 years to diversify the employment base, improve its image, create a night time economy, attract new retail/commercial office investment, increase levels of business and leisure visitors and provide residential accommodation. This is a highly ambitious project, with implications not just for the Town Centre itself (through the creation of new housing) but for the whole Borough, given the importance of the Town Centre to the economy.
- Development of Lakeside as the main strategic site within the Wolverhampton-Telford Technology Corridor, one of the key strategic priorities for the Regional Economic Strategy. Proposals include secondary and higher education provision, residential development for families and young professionals, provision for SME businesses, and leisure and recreational facilities. A proposed business park will provide high quality office and workspace for technology based, knowledge intensive and innovative businesses.
- A new rail freight terminal at Donnington to serve Shropshire, the sub- region and the West Midlands region. The terminal will handle the transfer of freight between rail and road and include large scale warehouse development.
- Revitalisation of the key industrial estates in Telford including Stafford Park, Halesfield and Hortonwood, in order to attract innovative technology based businesses.
- Creation of the Telford Sports and Enterprise Learning Village offering training facilities and support through a number of related projects being developed.

- Measures to develop business clusters in the areas of advanced engineering, polymers, tourism and leisure, ICT, specialist business and professional services, and building technologies.

5.26 Integral to the economic growth strategy are measures to create new housing areas with the Borough, developed by the Council in partnership with EP and housing associations with a presence within the Borough. There are four main schemes at present.

5.27 Lawley (70 ha) will comprise some 3,300 homes - including 835 affordable homes, offices, leisure, retail facilities and public space. There will be four neighbourhoods focused on a new centre and public transport hub to be known as Lawley Square. The project will take around 15 years to complete. Wimpey UK, Persimmon Homes and Barratt Homes have been appointed as development partners and Beth Johnson and Bournville Village Trust have been selected as affordable housing providers.

5.28 East Ketley (35 ha) will provide 700 homes and community space to high environmental and design standards. Detailed consent for the first phase of 103 homes has been approved.

5.29 Lightmoor (72 ha) in the south-west of Telford is being developed in the spirit of Birmingham's Bournville Village. It will comprise 800 homes of different tenures and a range of facilities - shops, a pub/restaurant, a primary school and a lifelong learning centre. A community centre will provide indoor recreation facilities, healthcare, multi-faith worship and community management offices.

5.30 Woodside differs from these projects in that it involves the regeneration of an existing estate, beset by low house prices and weak demand and with high levels of deprivation. By 2015, the Council and partners will deliver physical, social and economic regeneration through selective demolition, new housing development, and the provision of new facilities. The number of properties in and around the estate will increase from 2,500 to approximately 3,000. To date the project has involved the demolition of the Courts (363 properties), the construction of the Park Lane Centre and the re-modelling of the first Radburn designed housing area of 385 properties.

5.31 In addition to these projects, the economic strategy refers to improvements in infrastructure, measures to improve workforce skills, and measures to improve entrepreneurship and innovation. In relation to infrastructure, projects include the redevelopment of Telford Town Centre, referred to above; facilitation of a direct rail link to Birmingham International Airport and London, to make Telford more accessible from London and from overseas; improving the quality and reach of public transport within Telford to link residents to job

opportunities; progressing proposals for a direct motorway link from the M54 to the M6 Toll Road, to make Telford & Wrekin more accessible by car; regenerating Newport and Telford's Borough Towns; ensuring a comprehensive range of commercial sites and premises, including incubation facilities focused on the needs of the clusters so that business growth is not constrained by a lack of suitable accommodation; and ensuring the provision of sustainable, quality, mixed-tenure housing, which offers attractive options for people at a range of life-stages and income brackets, including young single professionals, who may find a lack of choice and quality in some parts of the Borough's current housing stock, particularly in terms of apartment provision in and around the town centre.

- 5.32 To identify the impact of these planned developments on the housing market it is necessary to look in more detail at employment creation. The Economic Development Strategy for Telford includes the aim of creating around 26,000 new jobs in the Borough over the 2002-2021 period, an increase of 31%. Although this may appear challenging, the strategy indicates that employment grew by 34,000 (68%) between 1984 and 2002. What does this planned increase in employment imply for housing requirements?
- 5.33 To address this, it is useful firstly to consider the position in 2001 using data from the Census (Table 5.3). In 2001, there were almost 80,000 people working in Telford, and 74% of these lived locally. A further 15,000 people commuted out of the Borough, so the number of residents working was just under 75,000. The population (excluding people living in communal establishments) was just over 156,000 so about 82,000 people lived in Telford but did not work. So about 48% of the population worked, and there were about 1.07 jobs per worker (because of net commuting). There were 61,000 households with just over 2.5 persons per household.
- 5.34 Looking forward to 2021, if the target of 110,000 workers is achieved, and assuming that patterns of commuting remain the same, there would be about 28,000 more people living in Telford & Wrekin who were in employment. A simple view would be that this implies about 13,000 additional households at the average size of 2.172 persons projected by DCLG. In reality of course, the working population represents only a proportion of the total population - in 2001, 48% of the population was working. Assuming that the ratio of workers to population remains the same in 2021 suggests an increase in population of over 59,000. Factoring in the expected decline in household size from DCLG household forecasts given an increase of almost 38,000 households associated with this growth in jobs from 2001-2021. This 'Trend' Scenario is a very high figure, well in excess of either the DCLG or TW forecasts described above.

- 5.35 A forecast of this kind implies that the creation of additional jobs requiring additional workers somehow also creates additional 'dependents', in the sense of non-workers such as children. This is of course likely, but it is questionable whether new jobs will create so many dependents as there are in the existing population, which also includes many retired people. This would suggest a lower number of dependents would be created. The 'Fewer Dependents' Scenario in Table 5 shows the impact of cutting the number of dependents generated by the new jobs by 50%. This reduces the number of new households by 2021 to about 30,000. This is felt to be the most realistic scenario presented in Table 5.3.
- 5.36 The 'More people economically active' Scenario looks at the impact of an increase in the overall proportion of people in Telford who are working. This has been achieved by reducing the number of people economically inactive by about 7,500 or 20%. This leads to the take up of more new jobs by existing residents, thereby as in the previous scenario reducing the number of people who are not working and hence the overall population/household totals. The population under this scenario in 2021 is only 176,000 and the number of households would grow by 21,000. This is still well above the DCLG forecast but below the TW forecast.
- 5.37 An alternative view is that the level of the non-working population relative to those working will increase as a result of the ageing of the population. The 'Ageing population' Scenario in Table 5.3 examines this. Not surprisingly, it results in a very large increase in the number of households, over 48,000.
- 5.38 Under all these Scenarios, commuting patterns are assumed to remain the same proportionately. If commuting levels remain constant in the future, only 19,000 of the new jobs will be taken up by people who will live in the Borough – the remainder will be commuters from outside. A higher level of sustainability would be achieved if more people lived and worked in the Borough. But in 2001, over 15,000 people living in Telford & Wrekin commuted to work in other areas. Improvements to the sustainability of travel would require this number to reduce, and for these commuters to take up some of the new local employment. Over the last three decades, levels of commuting across local authority boundaries have risen very substantially, but the range of factors which will influence future commuting preferences and behaviour is very large, including the quality of public transport, the costs of motoring, attitudes to the use of the motor car, and the nature of employment opportunities. To test the implications of lower levels of commuting in and out, Table 5.3 also shows a 'Reduced commuting' Scenario. This leads to a higher level of household growth (40,000) than the Trend Scenario because it results in more people both living and working in the Borough.

5.39 Under all the scenarios, a reduction in average household size from 2.55 in 2001 to 2.172 in 2021 has been assumed. On average this accounts for about 40% of all new household formation.

Table 5.3 Alternative scenarios for household growth associated with target employment growth

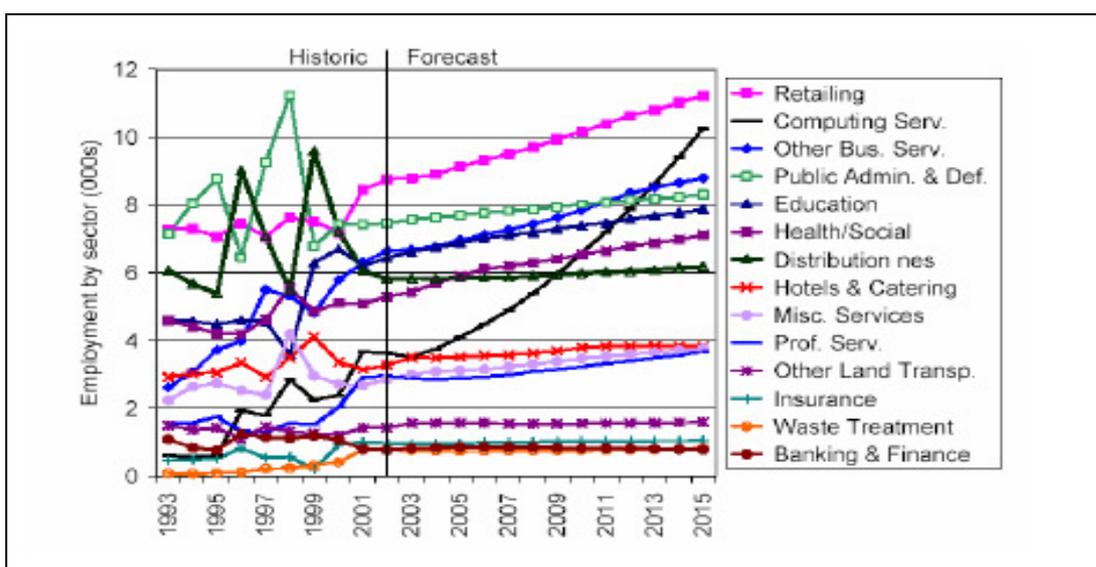
	2001			2021							
	Base	Trend		Fewer dependents		More people economically active		Ageing population		Reduced commuting	
	Number	Number	Increase	Number	Increase	Number	Increase	Number	Increase	Number	Increase
Works in Telford	79,840	110,000	30,160	110,000	30,160	110,000	30,160	110,000	30,160	110,000	30,160
Lives and works in Telford	59,211	81,578	22,367	81,578	22,367	81,578	22,367	81,578	22,367	90,000	30,789
Commutes in	20,629	28,422	7,793	28,422	7,793	28,422	7,793	28,422	7,793	20,000	-629
Commutes out	15,169	20,899	5,730	20,899	5,730	20,899	5,730	20,899	5,730	15,000	-169
Lives in Telford and works	74,380	102,477	28,097	102,477	28,097	102,477	28,097	102,477	28,097	105,000	30,620
Lives in area but doesn't work	81,865	112,790	30,925	96,000	14,135	74,208	-7,657	135,842	53,977	115,566	33,701
Total population	156,245	215,267	59,022	198,477	42,232	176,685	20,440	238,320	82,075	220,566	64,321
Households	61,273	99,110	37,837	91,380	30,107	81,347	20,074	109,724	48,451	101,550	40,277
Households per job	0.77	0.90		0.83		0.74		1.00		0.92	
Ratio of workers to population	0.48	0.48		0.52		0.58		0.43		0.48	

Sources: 2001 Census, NLA estimates

5.40 Most of the scenarios in Table 5.3 suggest higher levels than those put forward by DCLG (based on recent demographic trends) and by TW (based on current RSS proposals, modified by recent levels of completions), but they are broadly consistent with the level of growth set out in RSS Option 2. *This suggests that the economic ambitions of the Borough could be constrained by a lower level of housing growth than that proposed in RSS. In addition, it suggests that active measures such as those set out in the Strategy are needed to ensure that the existing population affected by economic restructuring will have the capacity to take up new employment opportunities and to increase the proportion of people who are economically active.* Given the ageing profile of the population the latter will present a considerable challenge. What is clear is that the Borough’s economic aspirations and the provision of additional housing to enable growth to take place are closely inter-linked.

5.41 Table 5.3 is concerned with overall household numbers, but what are the implications of future economic growth for the types of dwelling which might be required in the future? The chart below, drawn from the Local Development Framework pre-submission consultation technical paper on Economic Development, gives an indication of past employment growth and forecast growth by sector to 2016. This does not provide a comprehensive forecast of employment as it covers only sectors in which employment is not expected to contract in the future. The highest rates of expansion are forecast to occur in computing services, retailing, other business services, public administration and defence, education, health and social services, professional services, and distribution.

Figure 5.4 Employment forecast for Telford & Wrekin



Source: Local Development Framework pre-submission consultation technical paper on Economic Development

5.42 A forecast of this kind whilst useful does not give a basis for assessing the nature of future housing demand. The aspiration of the Borough Economic Strategy is to create jobs in employment sectors which are likely to grow in the future. Given that other sectors will decline, a 30% overall increase in employment implies a major restructuring of the local economy in the period up to 2021, with perhaps as many as 50% of jobs at that point having been created since 2006. If the Borough achieves its aim of attracting jobs in growth sectors, the proportions of people in better paid professional and senior administrative employment, and in skilled manufacturing jobs are likely to increase significantly. However, other sectors such as business and professional services, catering, and tourism, are also likely to produce lower paid employment.

5.43 The Economic Strategy does not provide any further detail on the profile of occupations to enable a more precise forecast. However we can infer how future incomes would change as a result of the Economic Strategy by looking at the current composition of incomes. Table 5.4 below shows an estimate of 2006 average incomes in Telford & Wrekin by broad occupational group (NS-SEC). This was derived from data on the national distribution of *household* incomes obtained from the Survey of English Housing²⁵ which was scaled to the estimated average income for the Borough based on Experian data. This table assumes that workers in semi-routine occupations (for example) earn about the same compared to the Borough average as such workers do nationally, but the average has been adjusted to reflect average Borough income levels. Households headed by someone in a managerial or professional occupation clearly have much higher incomes than average, whilst those in routine or semi-routine occupations and those who have never worked have much lower than average incomes²⁶. If the Borough Economic Strategy is successful in increasing the proportion of managerial, professional and skilled manufacturing employment, incomes will rise relatively more quickly than at present.

Table 5.4 Average income by NS-SEC of household reference person

NS-SEC of household reference person	Average income 2006	Ratio of ave inc to Borough ave	% of house-holds	% owner occupiers	% social tenants	% private tenants
Large employers/higher managerial	54,480	2.00	6	88	4	8
Higher professional occupations	50,590	1.86	6	86	4	10
Lower managerial/professional	33,845	1.24	24	85	7	8
Intermediate occupations	20,026	0.73	8	78	13	9

²⁵ The Survey of English Housing is an annual household survey published by DCLG – see <http://www.communities.gov.uk/housing/housingresearch/housingsurveys/surveyofenglishhousing>.

²⁶ Retired households are classified according to the last occupation of the household reference person. It is well established that resources in retirement are strongly related to previous occupation.

NS-SEC of household reference person	Average income 2006	Ratio of ave inc to Borough ave	% of house-holds	% owner occupiers	% social tenants	% private tenants
Small employers/own account	27,239	1.00	8	81	10	9
Lower supervisory/technical	20,563	0.75	13	77	15	8
Semi-routine occupations	13,913	0.51	15	61	29	10
Routine occupations	13,456	0.49	16	61	29	10
Never worked	13,636	0.50	3	19	62	19
All households	27,271	1.00	100	74	17	9

Sources: Survey of English Housing, 2001 Census, Annual Survey of Population.

5.44 Table 5.4 also shows tenure composition by occupational grouping.

Managerial and professional households have much higher rates of owner occupation and lower rates of social renting than those in routine and semi-routine occupations. This suggests that there will be a higher level of demand for home ownership and less demand for social rented housing.

5.45 These trends do not translate directly into housing requirements, as it is households rather than individuals who occupy dwellings. However, if the Economic Strategy is successful:

- There will be a significant increase in average incomes over time, above the general rate of growth in real earnings across the whole economy. The proportion of higher earners *working* in the Borough will increase substantially. However, a general increase in average incomes suggests a continuing increase in the demand for owner occupied housing which will push the overall level of ownership in the Borough further towards the national average. Higher incomes are also likely to increase the quantity (size) and quality (tenure and design) of housing which households are able to consume.
- At the same time a greater degree of polarisation in the economy between higher and lower paid employment will lead to the creation of a longer 'tail' of low earners. These will include routine and semi-routine occupations in the service sector. This group are likely to continue to require affordable housing to rent and depending on the relationship between house prices and income levels, to buy.
- Some people in the Borough will become unemployed as a result of structural economic change. In most cases, the affected households will experience a decline in income which will not be fully compensated for by new employment. However the impact on housing will be less severe as many will have relatively low housing costs.

- The growing managerial/professional/technical group will have a younger age profile (as a result of the retention and attraction of younger people). This group will demand both higher quality private rented and owner occupied housing. Some will require flats/apartments in central locations with access to services and amenities whilst others will consume higher quality semi-detached/detached houses. Lifestyle considerations are of paramount importance in this segment of the market.
- In addition to more affluent occupations, it is inevitable that even in growing sectors of the economy there will still be a requirement for a range of housing, including some affordable housing, for people in more junior positions or those in lower paid service sector employment. This may include both owner occupied and rented housing.

5.46 An increase in the proportion of higher earners in the Borough will further increase the demand for larger and higher quality housing, but more significantly, it will raise the demand for a higher quality of place. Even if more higher earners are working within the Borough, they will not necessarily choose to live there. Research carried out for the Northern Way²⁷ suggests that quality of place relates to a range of factors – physical, social and economic – that help to distinguish one place from another. At present, about 12% of households living in the Borough are headed by someone in a senior managerial or professional occupation. If this proportion is to increase, measures such as the major new housing developments outlined above will need to create high quality and attractive neighbourhoods. At the same time, demand for housing in the rural areas in particular will inevitably increase substantially, stepping up the pressures on house prices in these areas even further.

5.47 It is possible that the Economic Strategy's aims will not be achieved, or more realistically that they will only be partially achieved. In this situation, continuing housing growth could lead to a less sustainable pattern of higher levels of out-commuting to other local authorities. At the same time the market demand for housing in the Borough would be weaker. A high proportion of the growth predicted nationally and in the region which is driving RSS planned provision targets stems from net international migration. Less success in attracting employment to, or less attractive employment in, the Borough in the future would lead to the diversion of demand from in migrants into other areas. At the same time, a failure to attract jobs in the growing sectors of the economy would adversely affect the distribution of incomes and lead to less demand for home ownership and more demand for affordable housing to rent. Progress in

²⁷ *Shaping the North's Cities for Growth: an agenda for the next decade*, The Northern Way 2007.

meeting economic growth targets therefore needs to be monitored closely to keep its impact on the housing market under review.

Speculative investment

- 5.48 Over the last three decades, the cost of housing has risen at a faster rate than average personal incomes because of the increased participation of women in the labour force, which has increased household incomes. This impact has been tempered and will be in the future by the increase in people living alone, either permanently or for short periods between relationships. More recently, however, the advent of investors to the housing market has enabled prices to rise far more rapidly than household incomes. As the previous chapter showed, this process has affected Telford & Wrekin with recent rises in prices far outstripping first time buyer incomes.
- 5.49 This introduces a further degree of complexity in looking ahead at markets. Small investors have played the major role in creating increased investment in housing and a large part of the resources available for investment have come from housing, whether directly through borrowing against accumulated equity or indirectly through inheritance based largely on housing wealth. Views vary as to whether small investors will continue to favour housing in the future, but there are strong grounds for anticipating a continuance of investor interest in housing at a significant level. Changes in the returns to be achieved from other investment sectors, and shorter terms changes such as the recent revisions to capital gains tax regulations, may impact on levels of investment. However the overall popularity of housing as an investment will remain high because of dissatisfaction with alternatives such as pension vehicles, the stock market, endowment savings and more recently even some loss of confidence in banks/building societies. The broader demographic context of increased migration is likely to continue to provide a favourable context too. Investors in housing are in the favourable position of creating the demand for their own product when they outbid first time buyers who are then obliged to rent from them. In the longer term, higher price levels compared with first time buyer incomes may lead to a polarisation of the housing market, underlain by a polarisation in wealth, between those with the resources to own one or more houses and those who are unable to buy. This will create a continuing demand for rented housing, including social rented housing, and may bring about a long term reduction in the proportion of households who are owners.
- 5.50 The implication of this is that house prices, incomes and tenure change patterns including investment in housing also need to be monitored.

The policy context

- 5.51 In addition to these demographic and economic changes, the policy context described in Chapter 3 will be one of the key influences on the future housing market in Telford & Wrekin. This is because the Borough is likely to be proposed as a major location for new housing development over the period to 2026. The market will have a major influence on the rate and the type of development which takes place in the Borough over this period, but the context will be set by RSS and by the Borough's Local Development Framework which will put RSS policies into practice. As indicated above, RSS policies are likely to require provision of around 30,000 new units over the period 2001-2026, an annual average of 1,200 units. To date, completion rates have fallen below this target so an increased rate is likely to be required for the remainder of the period.
- 5.52 Both the demographic and economic development contexts as reviewed above suggest that this level of provision is feasible, provided that the Borough's aspirations for employment creation can be met. This should create sufficient demand to attract developers and secure uptake of land allocated for housing development.

Future households requiring market housing

- 5.53 Official guidance on housing market assessment requires that this report should provide an estimate of the future number of households requiring market housing²⁸. Table 5.5 below presents the first stage in this by setting out an overall requirement for housing in the future over the period to 2026. In the case of Telford & Wrekin, its role as an intended locus for regional household growth and its potential role as a recognised national growth point means that the preferred estimate is derived from the likely level of provision for housing in RSS following the current review. This may need to be revised if the RSS preferred option differs from the figures presented here. This exceeds current RSS provision, the trend based ONS estimates of future household formation and an alternative estimate produced by the Borough on the basis of additional information available to it on demographic change including migration. However the level of growth is less than that which has been estimated as arising from the Borough's intention to create some 26,000 new jobs over the 2004-2021 period.

²⁸ DCLG *Strategic Housing Market Assessments Practice Guidance Version 2* (August 2007) and *Strategic Housing Market Assessments Annexes* (April 2007).

Table 5.5 Overall future number of households

	2001- 2006	2006- 2011	2011- 2016	2016- 2021	2021- 2026	Total
RSS review Option 2 (preferred estimate)	5820	5820	5820	5820	5820	29100
Current RSS based estimate	6451	5839	3395	3395	3395	22475
ONS household projections	2300	4600	4400	3900	3100	18300
Borough projections	2800	5700	5700	5700	5700	25600
Economic growth based estimate	6020	6020	6020	6020	6020	30100
Actual completions	3565					

Note: RSS estimates and completions are dwelling based and have been adjusted to allow for a 3% dwelling vacancy rate

- 5.54 In looking at the type and size of housing required, the issues involved are complex. On the one hand, the Borough's economic strategy is seeking to increase the proportion of jobs in the Borough in growth industries and to increase average incomes and the proportion of workers in managerial, professional and skilled manual sectors. The strategy indicates that the quality of the housing offer and the wider quality of place in the Borough will be important factors which influence the success of the strategy. The main requirements identified in housing terms are apartment provision (both for private renting and owner occupation) in the town centre targeted at higher income and younger professionals, and larger houses for owner occupation targeted at families in new neighbourhoods in more suburban or rural areas.
- 5.55 But it would not be appropriate for these requirements to dominate new provision. Analysis of the likely incomes of new workers above suggested a broader demand for quality housing for owner occupation not necessarily at the top of the market and indeed including affordable housing provision. On top of this, existing and backlog need as demonstrated by the housing register, and very high affordability ratios, suggest a continuing and substantial need for low cost housing for sale and for rented housing. This is considered further in the next chapter.
- 5.56 In terms of dwelling size, demographic forecasts suggest that the main requirement is for smaller housing units to cater for the increasing numbers of single person and smaller households which projections indicate. But it would not be appropriate for all new provision to be small units, as this would not assist with the aim of creating an improved housing offer across the board in the Borough in the future. In addition, evidence on aspirations suggests that households have complex requirements in terms of space, driven by increasing affluence and the desire for more space for children doing homework, to cater for hobbies and activities, for home working, and for visitors (including children). Very small units of housing, such as one-bedroomed sheltered housing units in

the public sector, are increasingly less in demand. This suggests that some provision of smaller flats/apartments may be appropriate but that a high proportion of future development in the Borough should take the form of houses across the two to four bedroom range, informed close monitoring of market demand.

5.57 Finally, there is a strong consensus that mixed communities provide a better basis for sustainable communities and this is a key feature of government policy. This would suggest that new development in the Borough should be designed to provide for a range of household types and incomes, including affordable needs and specialist housing needs such as extra care housing for older people.

5.58 The amount of market housing required within this total is examined in Chapter 6 after looking at the requirement for affordable housing.

The 'credit crunch'

5.59 Since the original version of this report was prepared in October 2007, there have been a number of significant developments in the housing market which suggest that in the short to medium term, house prices will fall and the number of transactions will reduce. The main developments have been:

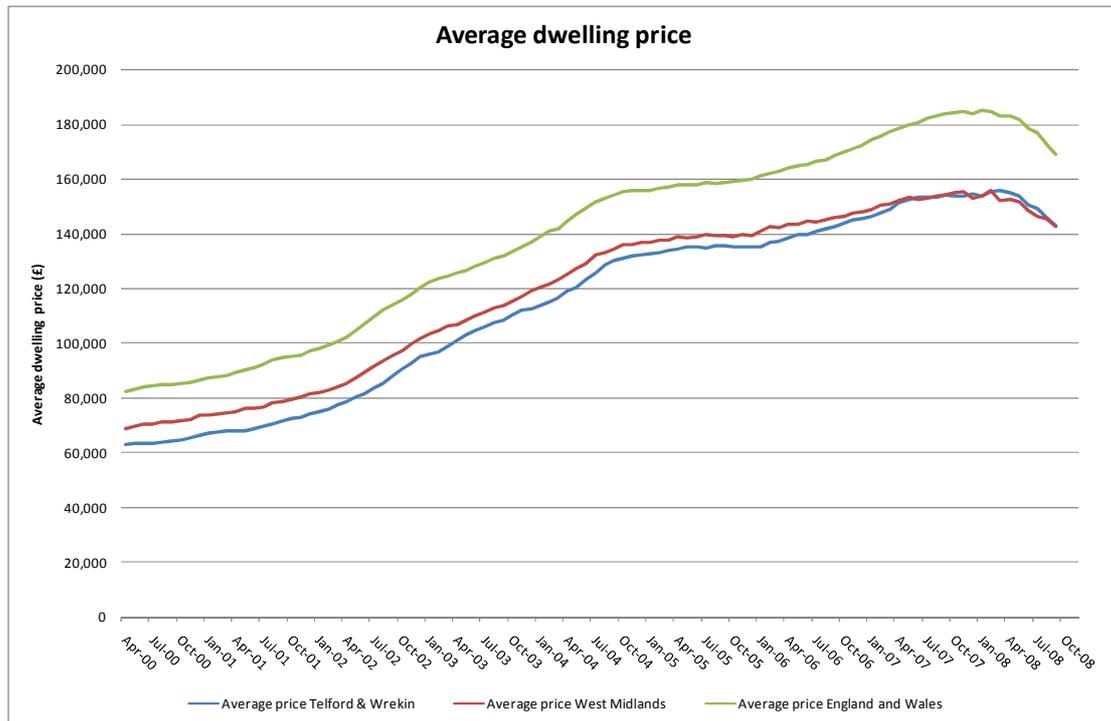
- *Emerging evidence of reductions in dwelling prices:* These developments are too recent to have had a major impact on the key house price indices, but Figure 5.5 below shows a downturn in prices which has affected England and Wales, the West Midlands region and Telford & Wrekin since Autumn 2007. Prices in Telford levelled off late in 2007 and began to fall in 2008. The reduction up to September 2008 was about 8%. There are many predictions about the likely degree and timescale of further price reductions but most commentators agree that significant further falls will occur over the next two to three years, with some predicting falls of 20-30%.
- *Sudden reduction in the availability of mortgages and tightening of credit:* Banking systems worldwide have been adversely affected by a sudden tightening in the availability of credit brought about by falls in the housing market in the US and fears that some lenders are exposed to losses, especially in the so-called 'sub-prime' sector of the mortgage market. The impact of these concerns has been a shortage of capital for mortgage lending and a significant tightening of the terms of lending including the withdrawal of 100% mortgages, increased deposit requirements, and lower loan to income ratios. These have made it harder for buyers, and especially first time buyers, to trade in the market.

- *Reduction in turnover:* Concerns about falling prices and the reduced availability of credit have led to reductions in sales turnover. These have affected the new build sector rapidly and are already being reflected in job losses and reduced profit levels in the sector. If this continues over an extended period, wider impacts on a range of profession and economic activities connected with the market will develop, including a likely serious impact on future completion levels as developers mothball sites or defer development. In Telford, the fall in sales turnover has been the most significant feature of the credit crunch to date, with the volume of sales in July 2008 (the latest available at the time of writing) down to only 32% of their peak in mid 2007. This is a more severe reduction than for the West Midlands as a whole or for England and Wales (Figure 5.6).
- *Increased repossessions:* Rising mortgage costs and the wider costs of credit have led to an upturn in levels of mortgage repossession, although lenders have generally improved their processes for managing mortgage debt substantially in recent years to avoid repossessions wherever possible. This is likely to impact on the demand for social rented housing or for mortgage assistance packages aimed at avoiding repossession.
- *Wider economic impact:* The housing market is of considerable significance in the wider economy and a prolonged housing market recession would contribute to a potential economic recession. Recent economic indicators suggest that a recession is increasingly likely.
- *Extended duration:* The recent Crosby Report²⁹ on the credit crunch suggests that problems in the banking sector and a shortage of credit are likely to continue for two to three years rather than being of short duration. This would suggest that problems in the housing market will last for a similar period at a minimum.
- *Increased speculative investment and private renting:* Lack of confidence and the inability of first time buyers to obtain mortgages are likely to provide opportunities for investors to purchase and to provide rented housing for those who cannot or who choose not to buy, especially investors who are not dependent themselves on credit.
- *Impact on housing demand:* Currently, household projections and government policy statements suggest that these developments and any longer term economic impacts are not likely to reduce the demand for

²⁹ *Mortgage Finance: interim analysis, which examines the causes of the 'credit crunch' and options for improving the function of mortgage finance markets*, July 2008, available at http://www.hm-treasury.gov.uk/documents/financial_services/mortgages/fin_mort_crosby.cfm.

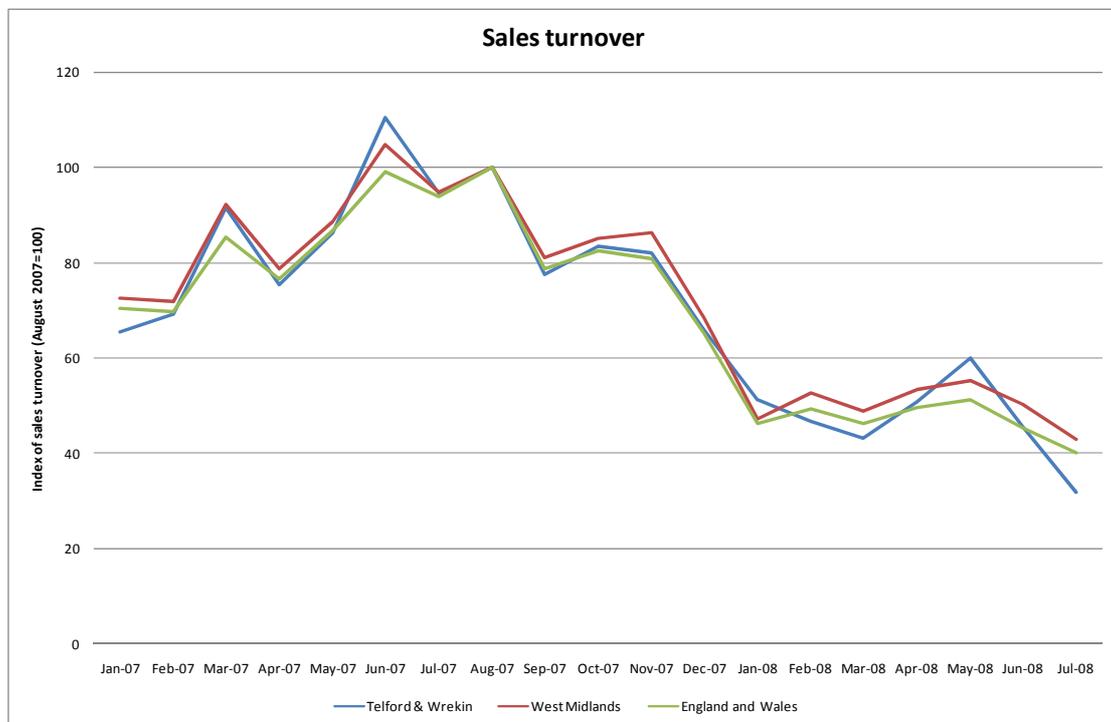
housing, but a serious and prolonged economic recession would be likely to have an adverse impact on economic in migration.

Figure 5.5 Recent house price changes



Source : HM Land Registry website

Figure 5.6 Recent sales turnover



Source : HM Land Registry website

5.60 Some of these developments are short rather than longer term factors, and their scale and duration is hard to predict. Ultimately, the wider economy is

most likely to determine the scale and duration of any housing market recession. It is also difficult to predict the impact of economic uncertainty on individual housing market areas. From one perspective it is likely that the impact on the areas with the weakest and least stable housing markets could be particularly significant, and these could be the areas which see the impact of the 'credit crunch' and falling prices hit first. Although housing market areas with more stable markets will also feel the impacts these may be less critical in terms of the stability of the overall housing market. They will be more able to 'ride out' a short term decline.

The future housing market – summary of key issues

5.61 Four drivers of housing market change have been identified as key influences on the future housing market in Telford & Wrekin over the period to 2026. These are demographic change, economic change, investment in housing, and the policy context.

- ONS/DCLG projections suggest total household growth of 22,700 in Telford & Wrekin over the 2004-2026 period.
- 60% of future household growth is in single person households. This has implications for the type and size of housing required in the future, suggesting a potential requirement for more small units.
- Forecasts show that the population of the Borough will age substantially over the next two decades. This clearly has major implications for service provision including requirements for specialised housing, adaptations and other forms of assistance to enable more dependent older people to live independently, and again demand for smaller units.
- Telford & Wrekin have produced alternative population projections for the Borough covering the period up to 2026 taking account of local information on natural change and on migration and making assumptions about planned future housing provision. From a base in 2004 about 1,000 higher than ONS, the TW projection increases to reach 198,400 by 2026, compared to 182,000 under the ONS projection. This is 16,000 or 9% higher.
- The TW projection implies a higher level of family household growth than that produced by ONS.
- The Borough's economic strategy plans to produce an additional 26,500 jobs between 2005 and 2021. It aims to create better paid jobs in

growing sectors of the economy or those where the Borough has a competitive edge which can be built upon.

- As well as a number of economic growth-related projects and programmes, the Borough is developing five strategic sites (Lawley, East Ketley, Lightmoor, the Town Centre and Woodside) which will make an important contribution to the improvement of the housing offer in the Borough.
- The number of new households which would be created from these additional jobs could be between 20,000 and 48,000 but taking account of likely dependency levels a realistic estimate is that 30,100 new households will result.
- Forecasts of the future occupational composition of the Borough are not available, but on the basis of broad assumptions about the occupational structure of employment in the Borough in the future and national evidence on the relative incomes of different occupational groups, it is likely that:
 - There will be a significant increase in average incomes over time, above the general rate of growth in real earnings across the whole economy.
 - There will be more higher earners *working* in the Borough but whether they live in the Borough will depend on the provision of more high quality housing. Some will require flats/apartments in central locations with access to services and amenities whilst others will consume higher quality semi-detached/detached houses. Lifestyle considerations are of paramount importance in this segment of the market.
 - Higher incomes will increase the demand for owner occupied housing and push the overall level of ownership in the Borough further towards the national average.
 - Higher incomes will increase the quantity (size) and quality (tenure and design) of housing which households are able to consume.
 - At the same time a greater degree of polarisation in the economy between higher and lower paid employment will lead to the creation of a longer 'tail' of low earners who will continue to require affordable housing to rent or buy.

- even in growing sectors of the economy there will still be a requirement for a range of housing, including some affordable housing, for people in more junior positions or those in lower paid service sector employment.
- If the Economic Strategy's aims are not fully achieved, continuing housing growth could lead to a less sustainable pattern of higher levels of out-commuting to other local authorities and to weaker demand within the Borough. Progress in meeting economic growth targets therefore needs to be monitored closely to keep its impact on the housing market under review.
- The recent advent of investors to the housing market has enabled prices to rise far more rapidly than household incomes. Small investors can outbid first time buyers as their resources are not directly tied to incomes. At the same time they create the demand for their own product by outbidding first time buyers who are then obliged to rent. Views vary as to whether small investors will continue to favour housing in the future, but there are strong grounds for anticipating a continuance of investor interest in housing.
- The policy context described in Chapter 3 will be one of the key influences on the future housing market in Telford & Wrekin, because the Borough is a major location for new housing development over the period to 2026.
- Consultation on RSS revisions suggested around 30,000 additional new dwellings for completion in Telford & Wrekin over the period 2001-2026, of which about 3,600 have been completed. This suggests about 26,500 additional households, allowing for transactional vacancies in the housing stock.
- This figure is close to the estimate of new households to be created by the Borough's economic strategy. This shows the strong inter-relationship between demographic and economic growth. If the Borough is successful in creating employment on the scale required, this will ensure that new development in the Borough is sustainable. At the same time, new housing development will support and enhance the prospects for attracting employers and employees to the Borough.
- Since the first version of this report was prepared in October 2007, falling house prices and the credit crunch, which has reduced the availability of mortgages, have seriously affected the housing market. The progress of the wider UK economy and the duration of the current

crisis in financial systems worldwide will determine the severity and duration of any impacts on the housing market in the UK, but many commentators now anticipate significant further price falls over a two to three year period, with related reductions in market turnover. This may improve notional affordability levels, but any benefits from this may be limited by the availability of credit. At the same time rent levels and the demand for social rented housing are likely to rise as a result of increased demand from potential first time buyers unable to enter the market, and from those unable to keep up with increased mortgage payment costs.

6 Future housing needs

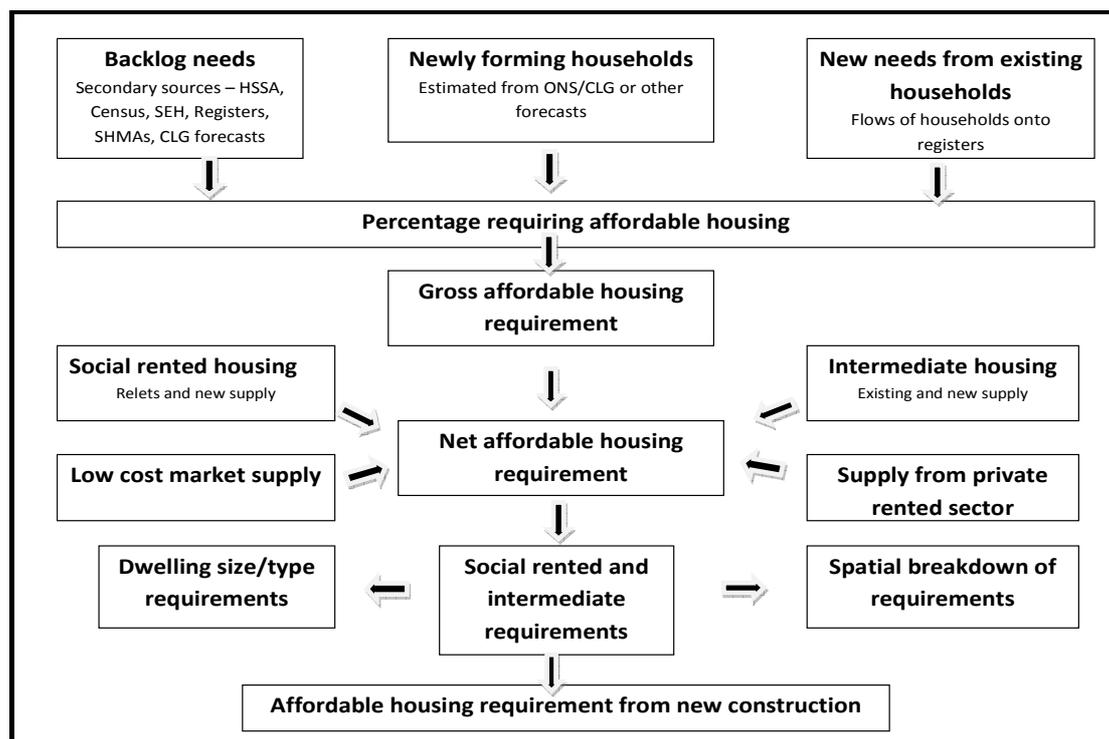
Introduction

- 6.1 This chapter looks at housing need, which is defined in PPS3 as 'the quantity of housing required for households who are unable to access suitable housing without financial assistance'. Guidance suggests that housing need consists of two elements. These are backlog need, the outstanding need at the baseline point for the housing market assessment; and the second is future or projected need.
- 6.2 The estimates in this section are derived from an Affordability Model (AM) developed by Nevin Leather Associates for the North West Regional Assembly and used as the basis for estimates of affordable housing requirements for housing market areas across the North West.
- 6.3 The model was designed to follow the steps and produce the outputs set out in CLG Official Guidance. It was designed to make use of secondary data sources, so as to be capable of updating at regular intervals. It provides results at housing market area, local authority, and smaller area levels.
- 6.4 The model is described in detail in Appendix 2. The model is summarised in Figure 6.1 and the main steps are outlined below. In brief:
1. The backlog of households currently in housing need is estimated from data on housing registers, homelessness, overcrowding, and concealment, adjusted to allow for overlap. This data is obtained from local authority HSSA returns, homelessness returns, the 2001 Census, the Survey of English Housing, and CLG household forecasts.
 2. The gross number of newly forming households is estimated from CLG household projections using a technique set out in CLG guidance.
 3. The number of existing households falling into need is estimated from housing register data and from 2001 Census data on migration.
 4. The Survey of English Housing is used to obtain data on the distribution of the incomes of households in backlog need, newly forming households, and existing households falling into need. These income distributions are compared with the distribution of incomes of all households.
 5. Local data on average incomes is used to adjust the profiles of incomes obtained in Step 4. This provides local/sub-area estimates of average

incomes and of the distribution of incomes for the three groups of households in need referred to in Steps 1,2 and 3 above.

6. A lower quartile threshold dwelling price is identified for each local area/sub-area.
 7. To assess the capacity of households at different income levels to pay for housing, assumptions are made about the multiplier to be applied to income and the extent of purchase deposit available to households at each income level. This provides an estimate of the purchasing power of each household and hence its ability to afford the threshold price identified at Step 6.
 8. Affordable housing need, that is the number (and percentage of the total) of households unable to afford the lower threshold price is derived separately for each of the three groups of households in need at steps 1,2 and 3 above.
 9. Gross affordable need is the sum of affordable need from the backlog of households in need, newly forming households, and existing households coming into need.
 10. Net affordable need is estimated by deducting the supply of social rented housing and any other sources of affordable supply.
 11. The requirement for affordable housing is sub-divided into the estimated need for social rented and intermediate housing.
 12. On the basis of data on the size of households in need, the overall housing requirement is broken down by type and size.
- 6.5 Alternative scenarios for affordable requirements can be tested within the model by varying assumptions about future lower quartile house prices and household incomes, the supply of affordable housing, the level of future household growth, the terms on which households can borrow (loan to income ratio and deposit required), and the period over which backlog need is required to be met.

Figure 6.1 Overview of the affordability model



Current (backlog) need

6.6 Table 6.1 shows estimated backlog need in 2007 in Telford & Wrekin. Backlog need was derived from questions in the 2003 housing need survey on the suitability of households’ existing housing. Gross backlog need is 6,395 households. The Affordability Model estimates are based on secondary data sources, including the register of demand for social rented housing, the 2001 Census, the Survey of English Housing, local authority homelessness returns, and CLG forecasts of the number of concealed households.

6.7 The derivation of the proportion of households unable to buy is described in full in Appendix 2. The income distribution of these in backlog need was estimated from the Survey of English Housing, and this was applied to CACI Paycheck estimates of average household income for 2007 for Telford & Wrekin. Each household’s ability to purchase was estimated by assuming that the household could afford a mortgage based on 3.3 times gross household income, plus 10% to allow for a deposit. The proportion of households unable to buy in the market was derived by comparing ability to purchase with the 2007 lower quartile dwelling threshold price for the Borough, following the approach recommended in CLG official guidance. To reflect local differences in prices and incomes, separate calculations were also carried out for each housing market sub-area in the Borough. For Telford & Wrekin as a whole,

87.5% of households in backlog need (5,595 households) could not afford to buy in 2007 and thus require affordable housing.

- 6.8 Following official guidance, dwellings occupied by those in need which are within the social rented sector were deducted from backlog need, because these dwellings will become available for reletting to other households in need. In addition, guidance also indicates that the pipeline of affordable housing units should be deducted from the total. This reduces the backlog of need in 2006 to 2,959.
- 6.9 Meeting these backlog needs in a short period would place extreme pressure on affordable resources so CLG guidance suggests planning to meet these requirements over a five year period. This gives an annual backlog need of 592 households (Table 6.1).

Table 6.1 Backlog need 2007

Description	2007
1 Backlog need, existing households (1-2)	6395
2 Percentage unable to buy	87.5
3 Backlog affordable need (2*3)/100	5595
4 Affordable housing occupied by those in need	2377
5 Committed affordable supply	259
6 Net backlog need, existing households (3-4-5)	2959
7 Quota to reduce backlog (20%)	0.20
8 Annual backlog need (6*7)	592

Sources: Affordability Model drawing on data from ASHE, CACI Paycheck, HSSA returns, 2001 Census, Survey of English Housing

- 6.10 The C3 housing market assessment report referred to above used output from the housing needs surveys commissioned from each of the C3 authorities as the basis for its estimate of backlog housing requirements. For Telford & Wrekin, this was the now superseded 2006 estimate set out in the previous version of this report. Hence the C3 assessment results as they apply to Telford & Wrekin should be replaced by those in this study. In the C3 study, Telford & Wrekin had the highest rate of backlog need in the C3 area after Wolverhampton (equivalent to 3.6% of all households in the Borough). This level of backlog need is lower than that indicated for 2007 by this study. This is a reflection of house price increases from 2006-2007 which outstripped income growth, and of a shortfall in new affordable provision in 2006-2007.

Future need

- 6.11 Table 6.2 shows estimated annual future need. Following official guidance, the first step is to calculate the *gross* number of new households which will form in future years. This is the gross number of newly forming households, without

taking account of household dissolutions. The Affordability Model estimates of gross household formation were derived using the approach recommended in official guidance applied to ONS population projections for the Borough³⁰. This produces an estimated level of gross household formation of 1,387 per annum (Table 6.2)

- 6.12 The proportion of newly forming households requiring affordable housing was derived by adjusting the average household income in Telford & Wrekin on the basis of data on the distribution of the incomes of newly forming households obtained from the Survey of English Housing. The assumptions relating to loan to income ratio and deposit used in estimating the purchasing power of those in backlog need were applied to newly forming households and the incomes of this group were compared with lower quartile house prices. This indicated that 61.7% of newly forming households were unable to buy. This proportion is lower than that derived for those in backlog need requiring affordable housing. Newly forming households include some with incomes which enable them to buy, whereas households in backlog need, who include those on housing registers, those accepted as homeless, and concealed households, are more likely to be on lower incomes. The model estimate of net affordable need from newly forming households in 2007 is therefore 856.
- 6.13 The second step is to calculate the number of existing households falling into need in the future (for example by being unable to afford to stay in home ownership, or by increasing their family size). This was estimated, as suggested in official guidance, by assessing average annual new housing register applicants and estimating the proportion of these who were in housing need. The average number of additions to the register in recent years was 1,637 households. Following the same approach as with those in backlog need and newly forming households indicates that 41.0% of existing households falling into need in the future will require affordable housing. This is a lower rate of affordable need than that of households in backlog need or newly forming households, because this group includes many existing households established in owner occupation who could meet their needs by trading up. The net annual requirement for affordable housing from existing households falling into need was 671 households.
- 6.14 The total future need for affordable housing was the sum of need from these two sources: 1,527 households per annum (Table 6.2).
- 6.15 The C3 housing market assessment estimates a total of 1,493 newly forming households per annum for Telford & Wrekin over the period 2006-2010. Of

³⁰ See *Strategic housing market assessments practice guidance*, Chapter 5 page 45.

these, 64% or 950 households, could not afford to buy a market dwelling at the lower quartile or entry threshold. These estimates are fairly close to those in Table 6.2. As with its estimate of backlog need, the C3 report's estimate of existing households falling into need is derived from the previous version of this report. The results from Table 6.2 are therefore more up to date and should be substituted for those in the C3 report.

Table 6.2 Future need

	Description	2007
1	Gross new household formation	1387
2	Percentage unable to buy	61.7
3	Net need (1*2)/100	856
4	Existing households falling into priority need	1637
5	Percentage unable to buy	41.0
6	Net need (4*5)/100	671
7	Newly arising need (3+6)	1527

Source: Affordability Model, drawing on data from CLG household forecasts, HM Land Registry, ASHE, HSSA, CLG Homelessness Statistics

Affordable housing supply

- 6.16 The gross annual level of future affordable housing need and the backlog for the next five years (from Tables 6.1 and 6.2) amount in total to 2,120 per annum³¹. However, the regular supply of social rented and intermediate housing units needs to be set against this (Table 6.3)
- 6.17 There are two sources of supply. Social housing relets have been estimated as suggested in official guidance as the average of the last three years' outturn. Relets or resales in existing intermediate housing have been estimated on the basis of data on existing levels of supply. On the basis of average relet and new building levels up to 2007, it is estimated that the annual supply of affordable social rented housing from relets will be 855, with an additional 25 intermediate units also becoming available each year – a total of 880 affordable units per annum. This represents a reduction of 95 units on the estimate of affordable supply produced for the previous version of this study and reflects a reduction in affordable supply in the last two years.
- 6.18 This calculation does not take account of the impact of any future additions to or losses from the stock, or reductions in the rate of departure from the sector of households currently in social rented housing. Whilst house prices remain high in relation to income, and with the continuing impact of the right to buy, the number of social housing relets may well fall further. This would add to the

³¹ As a result of rounding, numbers and totals may differ slightly.

shortfall of affordable housing in future years. This is an issue which can be tested by varying the assumptions within the model (see below).

- 6.19 The C3 housing market assessment assumes affordable supply of 795 units per annum for Telford & Wrekin, below the 2007 estimates used in this report. This excludes intermediate affordable supply. This figure is below that reported in HSSA returns and the C3 report does not provide a detailed account of its derivation so it should be treated with caution.

Table 6.3 Annual affordable housing supply

Description	2007
1 Social relets	855
2 Intermediate affordable relets or sales	25
3 Annual supply of affordable housing	880

Source: HSSA.

Matching need and supply

- 6.20 Bringing Tables 6.1, 6.2 and 6.3 together indicates that in 2007 there was an annual shortage of 1,240 units. This is higher than the estimate in the previous version of this study, and is accounted for by higher estimates of backlog and newly arising need and a lower level of relets, together with the impact of price rises over the 2006-2007 period on general affordability.
- 6.21 In practice, a range of housing options are available to people unable to buy on the open market. These include social rented housing, intermediate housing for rent and for sale, and private rented housing. Affordable housing includes both social rented and intermediate housing. Intermediate housing is housing at a price or rent below market prices or rents. It can include:
- New build Homebuy, where a property is owned jointly with an RSL, with the householder paying a mortgage on the part they own and rent on the rest.
 - Open Market Homebuy, where a household buys a proportion the open market in partnership with an RSL, meeting 75% of the purchase costs from its own resources and receiving an equity loan from an RSL for the balance of the purchase costs.
 - Discounted Home Ownership, where a property is bought at below market value and resold at below market value with the household owning 100% of the property. Restrictions imposed when the property was first constructed ensure that all future purchases and sales are at below market value to enable the property to remain affordable in perpetuity.

- Intermediate renting – where housing is provided with rents higher than social rent levels but lower than market rents.

- 6.22 Estimates of the capacity of households to buy on the open market in Tables 6.1 and 6.2 above were made on the basis of assumptions about the relationship between gross incomes and threshold dwelling prices. Those households with estimated purchasing power below the threshold value for their area were deemed to be unable to afford market purchase. However, the Affordability Model provides more detail on the extent to which household purchasing power fell short of market purchase. Table 6.4 shows, for both existing households in need (backlog needs) and newly forming households (future needs), the percentage of households able to afford different proportions of the relevant threshold price.
- 6.23 Table 6.4 assumes that those households with a purchasing capacity of 100% of the threshold price for their area will be able to afford to buy on the open market. Those with 75%-99% of capacity may be able to purchase in intermediate dwelling, for example through a 75% equity loan. Those with less than 75% of capacity are assumed to require social rented housing.
- 6.24 In total, looking at both backlog and future need groups, 74% of those in housing need required affordable housing in 2007. This was made up of 63% who required social rented housing and 11% who could afford intermediate housing. In terms of units of housing, this indicates that 1,839 units of social rented housing and 281 units of intermediate housing are required each year.
- 6.25 Taking account of supply, net need levels are for 984 units of social rented housing and 256 units of intermediate housing per annum. This suggests that 79% of additional affordable housing provision should be in the form of social rented housing and 21% in the form of intermediate housing.
- 6.26 The split of the *net* requirement for additional housing between social rented and intermediate differs from the *gross* split. This is because the supply of social rented housing through relets (which must be netted off) is much greater than the amount of existing intermediate housing becoming available for re-use.
- 6.27 The calculations of ability to purchase used here follow official guidance, but there is inevitably a degree of uncertainty around the actual proportions of income which individual households are willing to pay for housing and the resources which they have available from other sources such as savings and gifts from friends or relatives. Likewise, the ability of households to afford intermediate housing will depend on the actual cost, which may vary

substantially from scheme to scheme. However Table 6.4 gives a *guide* to the potential split between different types of provision.

6.28 The C3 housing market assessment derives a net affordable housing requirement of 920 units per annum. Most of the difference in requirements is accounted for by the greater supply of affordable units assumed by the C3 study.

Table 6.4 Annual affordable need: social and intermediate housing

Affordable housing model 2007			
	Per annum		Total
	Backlog need	New need	
Percentages			
Requires social rented housing*	72	55	63
Can afford intermediate housing**	16	7	11
Can afford to buy***	12	38	26
Needs affordable housing	88	62	74
Numbers of units			
Requires social rented housing	484	1355	1839
Can afford intermediate housing	108	173	281
Needs affordable housing	592	1528	2120
Social rented relets			855
Net social rented requirement			984
Intermediate 'relets'			25
Net intermediate requirement			256
Total net affordable requirement			1240

Source: Affordability Model Note: * Can only afford less than 75% of lower quartile threshold. **Can afford 75-100% of threshold. ***Can afford 100% or more of threshold.

The private rented sector

6.29 The estimate of the net affordable housing requirement in Table 6.4 does not take account of the capacity of the private rented sector to make a contribution to meeting housing requirements. Official guidance indicates that housing market assessments should take this into account, but does not specify a precise methodology, as sources of data on the private rented sector at local level are limited, and because housing in this sector is allocated by private landlords and may not necessarily be available to, or suitable for, those in affordable housing need. Some landlords, for example, are unwilling to accept tenants who are dependent on local housing allowances to meet part of all of their rent so the supply of private rented housing for this group is artificially restricted.

6.30 Rent levels for private rented sector properties in the Borough vary widely, but for most two bedroom properties fall in the range £400-600 per month, or

£4,800-£7,200 per annum. Rents for one-bedroom self-contained accommodation and for accommodation in a shared house are significantly lower. On the basis that a maximum of 25% of gross income should be spent on rent, Table 6.5 shows the proportions of those in backlog need or future need who might be able to afford private rented sector housing.

- 6.31 The table suggests that just over one third of backlog need households and a similar proportion of those in newly arising need (just over 760 households in total) could potentially afford to rent a two-bedroom flat or house in the private rented sector at the assumed rent level. However this should not be used as a firm indicator of the ability to rent, but rather as an indication that private renting could be an option for some households in need. Clearly, many households in similar circumstances are in practice living in the private rented sector at the present time.
- 6.32 This is an area where it is important to take account of household preferences and needs. Many young people requiring mobility and easy access to housing, and others preferring shared housing, have a strong preference for private rented over social rented housing, and little or no interest in house purchase at this stage in their lives. Other households in private renting may seek better conditions, a house rather than a flat, and increased security of tenure in the social rented sector, especially if they have children of school age. Nationally, there are strong net flows of households from private to social rented housing. Locally, the housing register is a good indicator of the preference for social rented housing. This suggests that a substantial proportion of households living in private rented housing or with friends and relatives would prefer the social rented sector if housing were available.

Table 6.5 Potential of households in need to rent privately

Percentage	Relationship of rent to gross income	Relationship of rent to gross income		
		Backlog	New need	Total
Can afford to rent privately	Less than 25%	35	37	36
Cannot afford to rent privately	25%-50%	39	40	39
Cannot afford to rent privately	More than 50%	26	23	25
Number				
Can afford to rent privately	Less than 25%	207	565	763
Cannot afford to rent privately	25%-50%	231	611	827
Cannot afford to rent privately	More than 50%	154	351	530
Needs affordable housing		592	1528	2120

Source: Source: Affordability Model Calculations based on income data from the affordability model and assumed average rent levels.

Potential low value market supply

6.33 In the same way, some households in affordable need (because they cannot afford to buy at the lower quartile threshold price) *might* be able to afford to buy a dwelling at the very bottom of the market, at a price much lower than the lower quartile threshold. Typically however such dwellings are in poor condition (which would make them potentially unsuitable for a household on a low income which could not afford major repair costs) or they are in unattractive locations. It is therefore impractical to estimate the potential contribution which this source could make to meeting affordable need.

Estimating the proportion of new build which should be affordable

6.34 The proportion of *new dwelling provision* which should be made up of affordable housing depends in part on the overall level of new build. On the assumption that the long run rate of new housing construction in the Borough follows RSS Option 2 over the 2006-2026 period and averages around 1,325 units per annum, a very high proportion of new build would need to be in the form of affordable housing on the basis of the estimates in Table 6.4 which show annual net affordable need of 1,240 households.

6.35 As the two previous sections have indicated, some contribution to meeting affordable need could also be made by the private rented sector and perhaps by low value market dwellings and this needs to be taken into account.

6.36 But as well as drawing on evidence on housing need from this study, policies to secure affordable housing from new housing provision need to take account of a range of additional factors. These will include:

- The financial viability of particular levels of affordable housing provision, taking into account prevailing market circumstances.
- The size and characteristics of allocated sites and official guidance on the extent to which affordable housing should be sought on small sites.
- The anticipated scale and characteristics of windfall sites based on past experience.
- The neighbourhood setting or context of sites coming forward for development.
- Policies for the creation of sustainable communities.

6.37 In addition, the actual level of housing output in the Borough has fallen short of the target in recent years. This will have contributed to the backlog of affordable housing need to some extent. Assuming that future provision needs

to be above target to catch up, this will provide the potential for a higher output of affordable units within the total.

6.38 Hence the proportion of affordable housing to be sought from new sites in the future will be determined by a number of factors which are difficult to quantify. As the two previous sections have indicated, some contribution to meeting affordable need could also be made by the private rented sector and perhaps by low value market dwellings and this needs to be taken into account. But evidence purely taken from the housing need assessment still suggests that the proportion to be sought from new build sites should be relatively high in order to meet affordable needs as quickly as possible, averaging at least 40% of new construction.

Breakdown of housing need by sub-area

6.39 Table 6.6 shows the above estimates of need broken down by sub-area, firstly for a three-fold split between Telford, Newport and the rural areas, and secondly for the eight housing sub-market areas. The estimates have been controlled to be consistent with the Borough total, as some of the stages in the calculation of need cannot be readily broken down into sub-market areas – for example homeless people in temporary accommodation.

6.40 The table shows that the greatest level of net affordable need is found in Telford but the rate or intensity of need (taking account of size of area) is higher in the Rural, and Newport areas. This suggests that some affordable need in those areas will inevitably have to be met elsewhere in the Borough. Within Telford the incidence of need is highest in the North Central area.

Table 6.6 Affordable housing need by housing market sub-area

	Annual need			Total need			Affordable supply			Net need			Net need per 1000 households
	Backlog need	Need from newly forming households	New need from existing households	Social rented	Inter-mediate	All need	Social rented	Inter-mediate	Total	Social rented	Inter-mediate	Total	
Telford	488	692	534	1487	228	1715	719	21	740	768	207	975	21
Newport	46	75	64	162	24	186	60	2	62	102	23	124	26
Rural	57	88	73	190	29	218	76	2	78	114	26	141	23
Newport	46	75	64	162	24	186	60	2	62	102	23	124	26
North East	87	120	93	260	40	300	131	4	135	129	36	165	16
North Central	114	169	134	362	55	417	159	5	163	203	50	254	20
North West	81	118	92	253	39	291	114	3	118	138	35	173	19
Rural	57	88	73	190	29	218	76	2	78	114	26	141	23
South Central	71	97	75	210	32	242	106	3	109	104	29	133	16
South Middle	65	90	68	193	30	223	100	3	103	93	27	120	15
South South	71	97	73	209	32	241	109	3	112	101	29	130	15
Telford & Wrekin	592	856	671	1839	281	2119	855	25	880	984	256	1240	18

Source: Affordability Model

The type and size of housing required

- 6.41 In terms of the size and type of affordable housing required, demographic trends suggest that most new housing needs to be in the form of small units. However, in practice most households occupy more space than estimates of minimum space requirements would suggest. In addition, to support its economic growth objectives the Borough is aiming to improve the housing offer and this might also suggest a different pattern of provision to that suggested by demographic requirements.
- 6.42 Bearing these points in mind, this section provides estimates of the dwelling size and type breakdown of affordable housing requirements. The estimates assume that 25% of single person households require a one-bedroomed dwelling, with the remainder requiring two bedrooms. Some 50% of two person households were assumed to require a two bedroomed dwelling with the remainder requiring three bedrooms. All three and four person households were assumed to require three bedrooms and all larger households four bedrooms.
- 6.43 In terms of dwelling type, the requirement for one bedroom dwellings was assumed to be for either flats or houses, and the demand for two bedroomed units was split equally between flats and houses. The requirements for dwellings of three bedrooms or more were assumed to be entirely for houses.
- 6.44 Following official guidance, the sources of data on housing requirements assembled above combine several elements, including the housing register, CLG household forecasts, data on overcrowding, and data on homelessness. These sources do not provide a consistent breakdown of needs by type and size of households. To provide a more objective picture, national data from the Survey of English Housing was obtained setting out the national size distribution of these household need groups. The model assumes that the distribution in Telford & Wrekin will be similar.
- 6.45 Table 6.7 below shows the results. The table indicates that some 12% of newly forming households, for example, require a one bedroomed house/flat, whilst 31% require a three-bedroomed house. As might be expected, the requirements of those in backlog need and existing households falling to need are generally for larger accommodation than newly forming households. These percentages are applied to the numbers in affordable need in each category to provide a breakdown of gross affordable housing requirements by size/type.
- 6.46 The breakdown of affordable supply was derived from data on actual lettings obtained from the CORE system. Supply is taken from gross requirements to derive net requirements. This indicates a surplus of one-bedroomed

accommodation but shortages of all other types. Relatively speaking, the shortages of four and two bedroomed houses are the most severe, and the shortage of two bedroom flats is the least severe.

- 6.47 This suggests that affordable provision in Telford & Wrekin should consist primarily of houses rather than flats, and of two, three and four bedroom units. Although the shortfall of four bedroom houses is the most severe relative to demand, the numbers involved are smaller than for two and three bedroom houses.
- 6.48 In relation to market housing, Chapter 5 provides estimates of the overall requirement for housing in the Borough. Demographic forecasts show substantial growth in single person households and this would on its own suggest focus on smaller units. However, the Borough's economic objectives seek improvements to the housing offer across the spectrum, and this would suggest a more mixed pattern of provision, or even a concentration on larger units, enabling more affluent households to trade up, releasing lower value and smaller units for other households. Policies to regenerate the town centre would suggest a focus here on smaller flats and apartments seeking to attract younger people.
- 6.49 The C3 housing market assessment derives the size and type breakdown of dwellings by a similar method to that used here. However the estimates of the size/type requirements of households in need is based on a breakdown by household type rather than size. This requires assumptions about the requirements of married and cohabiting couple households which produces different results for those derived here. In particular the C3 assessment suggests a shortfall of one and two bedroom flats in the Borough which in the view of staff concerned with the allocation of social rented housing does not appear realistic.

Table 6.7 Affordable dwelling size and type requirements

Size/type	Gross affordable requirement					Affordable supply		Shortfall (-) or surplus	
	Percentage		Number of households			Percentage	Number of dwellings	Number of dwellings	Severity
	New	Backlog and existing falling into need	New	Backlog and existing falling into need	Total				
1 bedroom house/flat	12	11	104	142	246	36	317	71	Surplus of 29%
2 bedroom house	26	23	224	296	520	9	79	-440	Short fall of 85%
2 bedroom flat	26	23	224	296	520	37	326	-194	Short fall of 37%
3 bedroom house	31	38	265	479	744	17	150	-594	Short fall of 80%
4+ bedroom house	5	4	40	51	90	1	9	-82	Short fall of 90%
All sizes/types	100	100	856	1264	2120	100	880	-1240	Shortfall of 58%

Alternative scenarios of affordable housing requirements

6.50 The Affordability Model estimates in Table 6.4 above can be tested against a range of assumptions. These cover:

- *The rate at which backlog need is met.* The assumption that backlog need is met over a five year period front loads estimates of affordable housing requirements. If backlog needs are met at the projected rate, this element of affordable housing requirements is eliminated by the end of the five year period and the level of affordable housing requirements subsequently falls sharply. Meeting backlog requirements over a longer period (say ten years) smoothes this impact but implies that some households must wait for an extended period before their needs are met. It is also clearly important to monitor the extent to which affordable needs are met and whether the backlog is in reality eliminated, through continued monitoring and updating of affordable need estimates. Although there are limitations, this is easier to do with secondary data than through primary survey.
- *Annual change in house prices.* Estimates of affordable housing requirements at 2007 are based on a particular relationship between house prices and incomes. For several years, house prices in Telford & Wrekin have risen, often rapidly, but at the time of writing, there are considerable uncertainties over the future trajectory of prices with evidence of price falls in recent months (see Chapter 5). The impact of future house price trajectories, expressed as an annual percentage change over the previous year, can be tested.
- *Annual change in household incomes.* Increases in incomes in recent years have been relatively low but there are currently strong pressures on incomes arising from higher inflation in the economy. The impact of changing incomes (expressed as a percentage change over the previous year) can also be examined.
- *Borrowing capacity.* As a result of the credit crunch, there have been major changes in recent months in the availability of loans, especially to first time buyers, with lenders imposing stricter requirements in relation to deposits and loan to income ratios. The Affordability Model assumes that households in affordable need can provide a 10% deposit and borrow 3.3 times household income, but the model includes provision to vary these assumptions.
- *Affordable supply.* The supply of social rented housing (through relets and new provision) has consistently fallen throughout the 2001-2007 period. The estimates of affordable need in Table 6.4 assume that supply will continue at

the 2007 level, which represents the lowest for many years. This element of the model enables the impact of increases, or of further reductions in supply, to be taken into account.

- *Divergence in the rate of household growth.* The newly arising need element of the core estimate of affordable housing requirements in the model is derived from 2004-based CLG household forecasts. This element of the model enables the impact of an increase or decrease over the forecast CLG level of household formation to be tested, to take account for example of projected economic growth in the Borough and its impact on future affordable requirements.

6.51 These assumptions can be varied individually or grouped together into scenarios. Table 6.8 below demonstrates two possible future housing scenarios. Scenario A (the credit crunch/recession based scenario) assumes that house prices will steady after falling by 5% per annum from 2008-11, and will rise slowly again from 2012 onwards. Incomes remain static till 2012 but then grow again at a relatively low level of 1-3% per annum. There will be a 5% annual reduction in affordable supply from relets until 2011 and a 5% growth thereafter. Household growth will take place at CLG forecast levels. Borrowing terms will tighten, with the average loan to value ratio narrowing to 2.5.

6.52 Scenario B (the rapid recovery scenario, assumes a 5% annual reduction in house prices in 2008, static prices to 2011 and 5% per annum recovery thereafter. It also assumes a 2% per annum growth in real incomes until 2016, a 5% annual reduction in affordable housing supply until 2009 and 5% growth thereafter, household growth at CLG projected levels and a continuation of the baseline projection loan to income ratio of 3.3.

6.53 Under the 'credit crunch/recession' scenario, the tightening of borrowing terms produces an immediate increase in net affordable need, which remains high until 2011 despite price reductions. Even after this, the level of affordable need remains high because rising prices again outpace income growth. The 'rapid recovery' scenario is of course more optimistic, with prices remaining at 2008 levels and a continuing modest increase in average incomes. This produces a steady reduction in net affordable need, with a large one off reduction in 2012 as backlog needs are cleared and rising incomes make housing more affordable.

6.54 Clearly, other combinations of assumptions can be tested, but these tables demonstrate the sensitivity of affordable need estimates to alternatives. In the short term, the tightening of credit terms produces the most rapid worsening of the affordability situation. Increased deposit requirements have a

particularly significant and immediate impact. Falling prices could improve affordability, but only if they are realised in practice in terms of the supply of properties. To date at least, many potential sellers are withholding their properties from the market. These scenarios suggest that in the short to medium term the main impact of the credit crunch will be an increase in the demands on affordable housing providers.

- 6.55 At the same time, the reduction in demand and in the supply of mortgage finance has had adverse impact on the supply of new dwellings and many developers are facing acute difficulties. This has led to a reduction in actual and planned starts and this will inevitably reduce new affordable supply in the future unless the government, local authorities and social housing providers can find ways of assisting developers.

Table 6.8 Alternative net affordable housing need scenarios

	Base year (2007)	Year								
		2008	2009	2010	2011	2012	2013	2014	2015	2016
A Credit crunch scenario	1,240	1,986	1,835	1,826	1,723	1,127	1,219	1,185	1,191	1,140
B Rapid recovery	1,240	1,244	1,261	1,217	1,018	584	559	547	504	446

Note: the model can project affordable need forward to 2032 but the assumptions in these scenarios were only created for the period 2007-2016.

Key findings on housing need

- 6.56 Estimates of housing need in Telford & Wrekin have been prepared using an Affordability Model drawing on secondary data sources including estimates of house prices and incomes. The model closely follows official guidance both in terms of data sources and methodology.
- 6.57 This analysis shows a gross annual need for affordable housing of 2,120, made up of a backlog need of 592 units and newly arising need of 1,528 units. This assumes that the full backlog need of 5,595 is met over five years.
- 6.58 The gross need for affordable housing must be set against an affordable housing supply (mainly of social rented housing) of 880 units per annum. This leaves an annual shortfall of 1,240 units of affordable housing, excluding any future additions to or losses from the stock.
- 6.59 After taking supply into account the annual shortfall of social rented housing is 984 units and of intermediate housing 256 units.
- 6.60 About 760 households or 36% of those in affordable need might be able to rent in the private sector, but this should not be treated as a firm estimate, as data on the supply of private rented housing and on rent levels is difficult to obtain at local level. In addition, private landlords are responsible for allocating housing in this sector and may not give priority to those in affordable housing need. Some very low value market housing might also help those in affordable need but may have high repair costs associated with it which such households could not afford.
- 6.61 The overall requirement for affordable housing (1,240) represents a high proportion of projected new housing provision in the Borough (averaging 1,325 per annum). Some supply will be available from the private rented sector and from low value market housing, but it is impractical to produce firm estimates of this supply. Other factors such as the financial viability of affordable provision, the characteristics of individual sites, and the need to create sustainable communities need to be taken into account, but purely on the basis of the evidence on housing need, an average of at least 40% of new housing provision needs to be affordable across the Borough.
- 6.62 Estimates have also been prepared of housing need for Telford, Newport and the Rural areas, and for each of the eight sub-housing market areas within the Borough. These suggest that the Rural sub-area has the greatest proportionate need for social rented housing, as a result of very high house prices. Need alone would suggest that almost all new housing in Newport and the rural

areas should be affordable, but in practice some affordable needs arising in these areas may have to be met elsewhere in the Borough.

7 The requirements of specific household groups

Introduction

- 7.1 This Chapter examines the requirements of a range of specific housing groups in greater detail. These are older people, people with disabilities, members of Black and ethnic minority communities, younger people and families.

Older people

- 7.2 Chapter 5 showed that the population of Telford, whilst still relatively young, is expected to age over the period to 2026. Increases are projected in the proportion of all groups aged 60 or more. In total, the number of people aged 65 or more in the Borough will double, increasing by 20,100, over the 2004-2029 period. Some 86% of the total population growth in the Borough from 2004-2029 will be accounted for by people aged 65 or more. This group will increase its share of the total population from 13% in 2004 to 22% in 2029. Figure 5.2 summarised these changes, and Table 7.1 shows more detail by age group.

Table 7.1 Projected increases in the older population, 2004-2029

	000s		
	2004	2029	Increase
65-69	6.7	11.4	4.7
70-74	5.1	9.1	4.0
75-79	4.0	7.9	3.9
80-84	3.0	6.6	3.6
85+	2.2	6.1	3.9
All ages	161.0	183.9	22.8
Increase in 65+ age group (000s)	21.0	41.1	20.1
Age group as % of total (%)	13.0	22.3	

Source: ONS

- 7.3 This clearly has major implications for service provision. For housing, the main implications of population ageing are as follows:
- Increasingly, older people are enjoying better health and seeking to live independent lives in their own homes. The proportion of 'younger' old people needing care and support or specialised housing may well be much lower in future than at present.
 - However, the increases in 'older' old people (aged 75 or more) are very substantial. There will certainly be a requirement for specialised housing provision for some people in these age groups, which the Council is addressing through its programme to develop more extra care housing.

- In the past, Telford had a high level of social rented housing provision, and this is reflected in the current pattern of specialised housing for older people. Those people currently in late middle or early old age who will form the most dependent groups over the period up to 2029 have higher rates of home ownership and their needs may differ from the current older generation.
- As a result, there will be requirements for adaptations to private homes, and other forms of assistance and support, to enable more dependent older people to live independently. This may involve grant aid but there is also a potential requirement for equity-based products to finance adaptations
- Older people have traditionally also been a group which has disproportionately experienced poor physical housing conditions. Although the housing stock in Telford & Wrekin is generally relatively new, there are pockets of older housing and other dwellings in poor condition. In practice, older people may be more likely to experience poor housing conditions even in newer housing, because problems arise through their inability to afford regular maintenance and through a decreasing ability to do work themselves.
- There will be the potential for some older home owners to move into specialised housing provision in the social rented sector or into part-ownership as they become more dependent.
- As with other groups, expectations about specialised housing will grow over time and it will be important for service providers to adapt the help they can offer to meet rising expectations.
- Older people form a significant proportion of the increasing number of single person households, in part through the death of a partner but increasingly also through increasing levels of separation and divorce. This means that some older people may find it more difficult to live independently because they lack the support of a partner, and because their income may be lower.
- It may also have implications for the size of specialised provision, although caution is needed given rising expectations. There may be a demand for more small units, but this assumption needs to be tested by market research, as older people may need accommodation for visitors, carers and other requirements.

- 7.4 Households headed by a person aged 60 or more form 19% of those identified in Chapter 6 as being in the priority backlog need category, so their needs are a significant element of the overall picture. Similarly, older headed households form about 12% of projected newly emerging need. This group is dominated by younger people, but for a variety of reasons some new older person-headed households are anticipated to form.
- 7.5 More generally, older people are under-represented amongst those whose accommodation is inadequate for their present needs. However in the housing needs survey they made up 22% of all households but 53% of those needing smaller accommodation; 36% of those finding it hard to manage their home or keep it in good repair; 41% of those who could not easily access a bathroom/WC (because of accessibility rather than sharing); 52% of those citing medical reasons for unsuitability; and 25% of those finding their home too expensive to heat. However there were very few people in this age group experiencing problems with mortgage and rent costs. This clearly supports the potential issues for older people listed above.
- 7.6 A series of questions in the 2003 housing needs survey were targeted on those over 50 (Table 7.2). The strong preference of older people to stay put in their existing homes was confirmed in that almost three quarters of people said that they intended to do so for as long as possible. Only one in five said that they might move to smaller accommodation. Some 9% (about half of those who would move) said that they would consider Wrekin Housing Trust or housing association accommodation. Only 6% said that they would consider private sheltered housing and 4% residential or nursing care. Some 6% said that they would move to live near relatives, and 11% to the seaside or another attractive retirement location. An overwhelming majority of the over 50s intended not to change from their current tenure (88%). Only 9% would consider moving from owning to renting and 3% from renting to owning. The majority of those who would consider moving from owning to renting cited the Wrekin Housing Trust as their preferred landlord, followed by another housing association. There was little interest in moving into privately rented accommodation.

Table 7.2 Housing requirements of people over 50

Which of these statements do you agree with	% agreeing
I intend to carry on living where I am now for as long as possible	74
I might move to smaller accommodation	20
I might move to Wrekin Housing Trust or housing association sheltered	9
I might move to private sheltered housing	6
I might move into residential or nursing care	4
I might leave the Borough and live near friends/relatives	6
I might leave the Borough to live by the seaside/in a scenic area	11
<hr/>	
Would you consider changing tenure	
No I want to stay as I am	88
Yes, consider moving from owning to renting	9
Yes consider moving from renting to owning	3
<hr/>	
If would move from own to rent, which preferred landlord?	
Private landlord	10
Wrekin Housing Trust	62
Housing Association	21
Other	7
<hr/>	
Base of households	28,472

Source: 2003 housing needs survey

People with disabilities

- 7.7 The 2003 housing need survey revealed that some 24% of households had a person within them who had a disability or long term illness that limited their daily living and working activities. Not surprisingly, the figure was much higher (38%) for the 60-74 age group and for the 75+ age group (62%). Some 6% of all households said that their home was not suitable because it was not wheelchair accessible, although this does not mean that a household member was a wheelchair user. However a similar proportion said that they could not access their bathroom/WC easily because of accessibility problems.
- 7.8 The majority of people with disabilities are older people and as the population of older people increases, it is inevitable that the need for adaptations to homes to facilitate mobility and continued independent living will increase. As indicated above, this will increase the demand for grant aid and other funding. One effective way of reducing the demand for adaptations arising from declining mobility in old age would be to ensure that new housing is constructed to lifetime homes standards.
- 7.9 However there are also some younger people with disabilities. In some cases, these disabilities are severe and require extensive tailored adaptations or specialised provision of housing and care. There is no reason to predict an increase in the number of younger disabled people in Telford, but increasing expectations and technological developments may increase the demand for assistance.

Members of Black and ethnic minority communities

- 7.10 In 2001, 94.7% of Telford & Wrekin's population was white. ONS estimates suggest that this had fallen to 94% by 2004. Nationally, some BME groups have higher rates of natural population growth than the white population, and there is continuing inward migration of BME groups. Immigrants tend to concentrate, at least initially, in areas where there are existing BME communities.
- 7.11 The largest minority ethnic group in the Borough was people of Indian origin (1.6% in 2001 rising to 1.8% in 2004). People of mixed ethnic origin formed the next largest group (1.2% in 2004). People of Pakistani and Chinese origin were also represented (1.1%). Some 0.7% of the population was Black and 0.1% of Bangladeshi origin. From this it is apparent that Telford lacks the large concentration of one particular ethnic groups which some cities and urban areas have developed. Across the Borough, BME groups are more likely to be found in Telford than in Newport and the rural areas, but the town lacks any large spatially concentrated communities of particular ethnic groups.

Table 7.3 Population composition by ethnic group, 2001 and 2004

	000s		%	
	2001	2004	2001	2004
White	150.2	151.3	94.7	94.0
Mixed	1.8	1.9	1.1	1.2
Indian	2.6	2.9	1.6	1.8
Pakistani	1.6	1.8	1.0	1.1
Bangladeshi	0.1	0.2	0.1	0.1
Black	1.0	1.2	0.6	0.7
Chinese/other	1.3	1.7	0.8	1.1
All persons	158.6	161.0	100.0	100.0

Source: ONS

- 7.12 BME communities in Telford & Wrekin tend to be young and have relatively high rates of new household formation, so an increase in the numbers and the proportion of the population from BME groups can be expected over the period to 2026. Projected migration will add to this. Nationally, BME households are over-represented amongst low income and deprived groups, and so in Telford they may be over-represented amongst those seeking affordable housing in the future, but this does not apply to all newly forming BME households. At present, some BME communities tend to live in larger households and so may have a requirement for larger dwellings.

Younger people

- 7.13 The needs of younger people in Telford & Wrekin have assumed increasing importance, with developments such as the University adding a further dimension. The 2003 housing needs survey showed that younger people in the Borough seeking to obtain separate accommodation were generally on low incomes (48% of households headed by a person aged under 25 had an income below £15,000 compared to 42% of all households). Many were living with family or friends or becoming homeless because they could not obtain access to affordable accommodation. Significant numbers also needed additional forms of support to enable them to live independently.
- 7.14 These problems have increased since 2003 as house prices have risen, and as the demand for social rented housing has increased, making it harder for young people, especially single young people, to compete for accommodation. Difficulties in letting some types of accommodation and housing in certain locations may still provide opportunities for younger people, but may also pose difficulties with high turnover if management, financial, and support issues are not resolved adequately.
- 7.15 More broadly, younger people form the bulk of newly forming households and a high proportion of the affordable housing needs identified in Chapter 6.

Families

- 7.16 The 2001 Census identified 46,443 families (couples or lone parents with children) in Telford & Wrekin in 2001 (Table 7.4). Some 449 of these (1%) were concealed, that is living within another household. Half of these concealed households were aged under 30, and three quarters were under 45. About half were lone parents. The Census did not collect data on the incomes of these households, but it can be assumed that many had low incomes, as they had not been able to afford or secure self-contained accommodation.
- 7.17 It cannot be automatically assumed that these families were in need of, or wished to have, a separate dwelling but it is likely that many of the younger households in this group would have required separate accommodation.
- 7.18 This data is now substantially out of date, but consideration of trends in incomes and in house prices since 2001 would suggest that the number of concealed families is likely to have increased. As Chapter 4 showed, in a longer term context, housing in 2001 was far more affordable than in 2007. One factor which might have mitigated any increase in concealed families is the growth in private renting. However, Chapter 6 showed that a relatively small proportion of people on low incomes can afford self-contained privately rented

accommodation, so this is not likely to have been a significant factor reducing the level of concealment.

Table 7.4 Concealed households 2001

	All families	Under 29	30-44	45-59	60-64	65-74	75+
All families	46443	5310	16705	14691	3284	4742	1711
All concealed	449	208	97	30	30	60	24
Concealed lone parent	194	101	45	15	15	9	9
with dep children	155	101	42	3	6	3	0
with non-dep	39	0	3	12	9	6	9
Concealed couple	255	107	52	15	15	51	15
no children	153	68	16	6	12	42	9
dep children	87	39	36	6	0	6	0
non-dep children	15	0	0	3	3	3	6
All unconcealed families	45994	5102	16608	14661	3254	4682	1687
no children	17883	1774	3012	5982	2312	3716	1087
dep children	21352	3328	13050	4694	171	79	30
non-dep children	6759	0	546	3985	771	887	570

Source: ONS Census Area Statistics

- 7.19 More generally, families form a significant proportion of those identified as being in backlog housing need and projected newly arising need. Some 58% of households in the priority backlog need group had one or more children (12% had 4 or more children). Likewise 61% of all those in the projected newly arising need group had children within the household. Policies for dealing with affordable need therefore focus to a considerable extent on families.

8 Conclusions

Introduction

- 8.1 This Chapter draws together the main conclusions of the housing market assessment of Telford & Wrekin.
- 8.2 The methodology for housing market assessment has involved (a) desk-based analysis of data, reports and other relevant information, and (b) interviews with a range of experts and key stakeholders.

Context

- 8.3 Telford & Wrekin is an established part of the Birmingham City Region in policy terms, and of the C3 sub-regional housing market area partnership (HMAP) identified by the Regional Assembly as part of its work on the review of the Regional Spatial Strategy. A separate Assembly study highlighted 36 sub-regional HMAs in the West Midlands, one of which was the Telford Housing Market Area. This area has been used as the basis for this housing market assessment.
- 8.4 Analysis of migration and travel to work data confirms that this housing market area is an appropriate one which reflects underlying patterns of movement and migration linkages. Telford is a comparatively self-contained area in travel to work terms, drawing in commuters from surrounding rural areas, with some commuting to adjacent HMAs. The strongest migration linkages are with surrounding districts in Staffordshire and Shropshire, rather than to the Black Country further afield.
- 8.5 Within the Telford HMAs, there is a threefold division between Telford, Newport, and the rural areas, the latter including areas outside the Borough boundary. Telford has lower values and incomes, whilst the rural areas have very high values and incomes. Newport falls between these extremes but is generally a high value area. Although a separate settlement, it has strong employment and migration links with Telford.
- 8.6 For the analysis of detailed housing needs, the Borough has been further split into eight sub-areas. These are the same as those used in previous housing needs analysis.

Policy context

- 8.7 National policies set an important context for housing in Telford & Wrekin. The key focus in national policy is on measures to increase overall and

affordable housing supply, in a context of high projected levels of future household growth. Telford & Wrekin was one of 29 local authorities which were successful in securing growth point status in 2006. This provides funding for further work to support infrastructure projects and growth-related studies, master planning and capacity-building.

- 8.8 Policies for housing market renewal (HMR) in areas where housing markets are weak are also a priority. The government and the Regional Housing Board have supported the development of policies to tackle these problems in South Telford. In future, market renewal policies will focus more strongly on making a contribution to increased housing supply.
- 8.9 To ensure that prosperity is spread across all regions, and to support measures to boost housing supply, the government has proposed Regional Development Agencies will take responsibility for preparing a single regional strategy with a clear focus on improving economic growth. As part of this, RDAs will also take responsibility for regional housing and planning policies.
- 8.10 Planning Policy Statement 3 Housing (PPS3) published in 2006 sets out the government's expectations on how the planning system should deal with key housing issues.
- 8.11 The Regional Economic Strategy includes measures to boost economic growth in Telford, including the development of a high technology corridor between Telford and Wolverhampton. Work on the revised Regional Spatial Strategy proposes an enhanced level of housing growth for Telford over the period to 2026, raising the number of units to be built over the 2001-2026 period to around 30,000.
- 8.12 At the time of writing, it appears that the UK economy is heading into recession. It is impossible to anticipate the length and severity of this at this stage but in the short term recession will have a negative impact on key economic indicators and slow progress towards meeting objectives. This does not undermine the overall long term direction of the Borough's economic strategy, but may make it necessary to adjust policies in the short term, or provide new opportunities which cannot at this stage be anticipated.

The current housing market

- 8.13 The population of Telford & Wrekin has increased by an average of 1.2% per annum over the last 25 years, making it one of the fastest growing areas in the region. In the last two decades this has been private sector led growth. Since 2001, the rate of population and household growth has fallen off.

- 8.14 Over the whole period since 1994, natural change and migration have each made up about 50% of the Borough's population increase but since 2000, natural change has accounted for two thirds of growth.
- 8.15 Telford & Wrekin still has a relatively young population, but in the last decade there has been a steady decline in the numbers of people aged under 44 and an increase in older age groups.
- 8.16 The number of households has increased rapidly over the 1981-2006 period, on average by 2.2% per annum. The average household size has declined consistently from year to year from almost 3 persons per household in 1981 to 2.38 in 2006. Household growth has been driven both by population increases and by the continuing trend towards smaller households. Over the 2000-2006 period, 50% of household growth was accounted for by the decline in average household size rather than by population growth.
- 8.17 Telford & Wrekin still has more couples and fewer single people than the region and England and Wales, suggesting that the process of household size decline is likely to continue.
- 8.18 Telford's economy has been strong in recent years, but the Borough has an occupational profile skewed towards manufacturing employment which is vulnerable to decline. There is evidence of increasing disparity between the upper and lower ends of the income spectrum, which is also reflected in statistics on deprivation which show 20 neighbourhoods falling within the 20% most deprived neighbourhoods in the country.
- 8.19 The proportion of public sector stock in Telford & Wrekin is still slightly higher than the regional averages, reflecting the New Town legacy. Within the private sector, the proportion of private rented stock is also comparatively small. Compared to England, Telford & Wrekin has a much newer housing stock, but there are problems with some newer stock built to non-traditional designs. The Borough has more detached and semi-detached houses than the region and fewer converted flats.
- 8.20 The overall dwelling vacancy rate has been low throughout the 2000-2007 period, but has declined from over 3.5% in 2001 to about 2.5% in 2007.
- 8.21 Dwelling completions have fallen since 2000, and provision is well short of the current RSS target of 1,300 completions per annum.
- 8.22 Dwelling prices in Telford & Wrekin increased very sharply between 2002-2004. Since 1996, the median price of a dwelling in Telford & Wrekin has increased by 171%. The average price in 2006 was £147,500.

- 8.23 Telford but has a significant pool of lower value stock in the old pre-New Town industrial settlements and in the ex-Development Corporation estates. It has a shortage of stock in the price bands above £300,000 which attract managerial and professional households.
- 8.24 Within the Borough, prices have increased most in areas such as south Telford where they were previously lowest, reflecting a general 'catching up'. A significant amount of demand has come from buy to let purchasers, other private landlords, and speculators. This may have contributed to the worsening affordability situation for first time buyers.
- 8.25 There are still major variations in prices within the Borough. Telford is mainly a low value market serving the needs of lower income households, Newport is a higher value market, and the rural areas form a high value market with a very limited supply of low value housing.
- 8.26 The affordability of housing in Telford has worsened substantially in recent years. DCLG's affordability index, which measures the ratio of lower quartile prices to lower quartile earnings, rose from 3.67 in 2001 to 6.09 in 2006 for the Borough as a whole. Within the Borough, the rural areas and Newport have the most serious affordability problems. However the extent of the affordability problem in the Borough is such that even in lower value areas average prices were over five times average incomes in 2006.
- 8.27 The demand for social rented housing increased over the 2000-2006 period, but in addition, fewer people have been leaving the sector, so there are fewer opportunities for new entrants. The increase in demand has been less than at previous periods of high prices because more people have found housing in the private rented sector.
- 8.28 Telford & Wrekin has thus evolved into a regionally significant centre, which now influences a hinterland which is largely westward facing and has a demographic profile which is producing strong household growth. However, the area also has regeneration challenges to manage in addition to demographic change.
- 8.29 There are four key drivers which need to be taken into account in understanding the market in Telford & Wrekin and in looking forward. These are:
- Public policy, especially planning policy, which envisages that the Borough will continue as an area of economic growth.

- Demographic trends, including a high level of population and household growth through migration, and more recently natural increase from within the Borough's population.
- The town's economy. The structure of employment has in the past created a relatively low value housing market, with a shortage of higher value housing and relative over-provision of social rented housing. There is a legacy of poor quality ex Development Corporation housing which poses a great challenge.
- Speculative investment has played a part in the local market, increasing the pressures on affordable social rented housing, but at the same time providing a means of meeting housing need and alternative housing options for some groups.

The future housing market

- 8.30 The same drivers of housing market change will influence the future housing market in Telford & Wrekin over the period to 2026. ONS/DCLG projections suggest total household growth of 22,700 in Telford & Wrekin over the 2004-2026 period. Telford & Wrekin have produced alternative population projections showing higher population growth more consistent with RSS planned provision. Some 60% of future growth is in single person households. This suggests a potential requirement for smaller units, but taking into account the preferences and requirements of single people.
- 8.31 The population of the Borough will age substantially over the next two decades with major implications for service provision including requirements for specialised housing, adaptations and other forms of assistance to enable more dependent older people to live independently, and again demand for smaller units.
- 8.32 The Borough's economic strategy aims to produce an additional 26,500 jobs between 2005 and 2021. This growth is likely to create some 30,100 new households. As a result of planned changes in the occupational structure of employment in the Borough in the future, average incomes will rise above the general rate of growth across the whole economy.
- 8.33 Higher incomes will increase the demand for owner occupied housing and push up the overall level of ownership in the Borough. There will be more high earners working in the Borough, but whether they live there will depend on the provision of more high quality housing. As part of proposals to regenerate the town centre, some of this might be in the form of high quality apartment provision for those preferring this location.

- 8.34 At the same time a greater degree of polarisation in the economy between higher and lower paid employment will lead to the creation of a longer 'tail' of low earners who will continue to require affordable housing to rent or buy. Even in growing sectors of the economy there will still be a requirement for a range of housing, including some affordable housing, for people in more junior positions.
- 8.35 If the Economic Strategy's aims are not fully achieved, continuing housing growth could lead to a less sustainable pattern of higher levels of out-commuting to other local authorities and to weaker demand within the Borough.
- 8.36 The recent growth in investment in housing has enabled prices to rise far more rapidly than household incomes. Views vary as to whether small investors will continue to favour housing in the future, but there are strong grounds for anticipating a continuance of investor interest in housing.
- 8.37 The policy context of planned housing growth will be one of the key influences on the future housing market in Telford & Wrekin, because the Borough is a major location for new housing development over the period to 2026. On present plans, growth will provide about 29,100 additional households, allowing for transactional vacancies in the housing stock.
- 8.38 This is close to the estimate of new households to be created by the Borough's economic strategy. This shows the strong inter-relationship between demographic and economic growth.
- 8.39 If the Borough is successful in creating employment in the scale required, this will ensure that new development in the Borough is sustainable. At the same time, new housing development will support and enhance the prospects for attracting employers and employees to the Borough.
- 8.40 Telford has not been immune from the impact of the credit crunch on its housing market. To date this has led to modest falls in average house prices, but this is misleading as the main impact has been a severe reduction in the level of transactions in the market. Currently these are running at only 32% of the level one year ago. As more owners are obliged to sell there is a strong likelihood of more serious price falls. In the short term, the credit crunch is likely to increase the demand for affordable housing in the Borough because first time buyers are finding it difficult to obtain loans and many others are deterred from entering the market by the anticipation of further price falls.

8.41 In the longer term the economic and demographic drivers of change outlined above will reassert their influence on the market and the expectation will be for a resumption of growth in the levels of housing provision in the Borough.

Future housing needs

8.42 Revised estimates of housing need in Telford & Wrekin have been prepared using a model of housing affordability developed by Nevin Leather Associates. This is based on the use of secondary data sources and follows official guidance both in terms of data sources and methodology.

8.43 There is an annual need for affordable housing of 2,120, made up of an annual backlog need of 592 units and newly arising need of 1,528 units. The annual estimate of backlog need assumes that the full volume of backlog need will be met over a five year period. The gross need for affordable housing must be set against affordable housing relets (mainly of social rented housing). This is estimated at 880 units per annum, although supply may decline further in the future as a result of the right to buy and a reduction in numbers leaving social renting as a result of high house prices. This leaves an annual shortfall of 1,240 units of affordable housing.

8.44 For the Borough as a whole, the desirable split of net annual need between social rented housing and intermediate housing is 984 to 256.

8.45 There is some potential for the private rented sector to contribute to meeting affordable housing requirements. About 760 households or 36% of those in affordable need might be able to rent in the private sector, but the lack of data on supply and rents and the fact that private landlords are not required to let accommodation to those in affordable need makes it impractical to assume that all these households can be housed in the sector.

8.46 Evidence on the nature of new household formation and the preferences of newly forming households suggests that new affordable housing should mainly be in the form of two and three bedroom units, mostly houses but with around 33% in the form of flats. Evidence from preferences suggests relatively little demand for intermediate housing, but incomes data suggests significant numbers could afford this.

8.47 In relation to market housing, demographic demand would suggest a focus on smaller units, as would the aim of regenerating the town centre, but other factors (notably the need to improve the Borough's housing 'offer' suggest at least some larger up-market provision. This suggests a bias towards two and three bedroom units, but a mix of provision between houses and flats, depending on the location of each site.

Conclusion

- 8.48 Telford & Wrekin has come a long way since the designation of the new town in 1968. The key feature from a housing market perspective is the maturing of the town into one of the main urban areas within the West Midlands outside the conurbations. Telford has evolved from a new town with strong links to the authorities supplying households into an independent settlement providing jobs and services for the Borough and for surrounding more rural areas in Staffordshire and Shropshire. For the last twenty years, the town has maintained a profile of private sector led growth, reflecting its role within regional strategies as a growth area. This has been accompanied by jobs growth and growth in retail services, leisure and other facilities.
- 8.49 Over time, the housing market in Telford & Wrekin has also evolved away from one dominated by social rented provision to move closer to the national average with home ownership dominant. It has also developed a substantial private rented sector. In recent years housing has also increased rapidly in price, moving the Borough out of its status as a comparatively low value area. This has brought some benefits but has also precipitated a crisis of affordability, reflected in the increase in demand for social rented housing.
- 8.50 Telford's future market is likely to involve continued growth. Crucial to the nature of the market is the economic growth strategy, which if successful will bring increased prosperity and additional housing demand. It will be a challenge to create markets which can meet the aspirations of higher paid workers, whilst at the same time regenerating the less attractive areas of the Borough and ensuring that the needs of those on lower incomes are also met, including those in more rural areas. Underlying these changes also is an anticipated growth in the numbers of older people which has major implications for housing and for services.

Appendix 1: Meeting the requirements of official guidance on housing market assessment

Official guidance on housing market assessment (DCLG's *Strategic Housing Market Assessments Practice Guidance Version 2*, August 2007) indicates that a strategic housing market assessment 'should be considered robust and credible if, as a minimum, it provides all of the core outputs and meets the requirements of all of the process criteria in Figures 1.1 and 1.2.' (Page 9).

Figures 1.1 and 1.2 from the guidance are set out below, together with an explanation of how the requirements have been addressed.

Figure 1.1: Strategic Housing Market Assessment core outputs (further details are set out in Table 2.1, Chapter 2)		
1	Estimates of current dwellings in terms of size, type, condition, tenure	Chapter 4
2	Analysis of past and current housing market trends, including balance between supply and demand in different housing sectors and price/affordability. Description of key drivers underpinning the housing market	Chapter 4
3	Estimate of total future number of households, broken down by age and type where possible	Chapter 5
4	Estimate of current number of households in housing need	Chapter 6
5	Estimate of future households that will require affordable housing	Chapter 6
6	Estimate of future households requiring market housing	Chapter 5
7	Estimate of the size of affordable housing required	Chapter 6
8	Estimate of household groups who have particular housing requirements eg families, older people, key workers, black and minority ethnic groups, disabled people, young people, etc.	Chapter 7

NB. Estimates of household numbers (3, 4, 5 and 6) may be expressed as a number or a range.

Figure 1.2: Strategic Housing Market Assessment process checklist	
1	Approach to identifying housing market area(s) is consistent with other approaches to identifying housing market areas within the region
2	Housing market conditions are assessed within the context of the housing market area
3	Involves key stakeholders, including house builders
4	Contains a full technical explanation of the methods employed, with any limitations noted
5	Assumptions, judgements and findings are fully justified and presented in an open and transparent manner
6	Uses and reports upon effective quality control mechanisms
7	Explains how the assessment findings have been monitored and updated (where appropriate) since it was originally undertaken

Uses housing market area identified by West Midlands Regional Assembly study and follows official guidance. Area used is aligned to LA boundary but reference made where relevant to overlaps with other Las

See text
See text
See text

Not applicable, except in relation to housing needs data – this is explained in text (Chapter 6). Reference is made to the need for ongoing monitoring of key housing market indicators

Appendix 2 The affordability model

This Appendix provides a detailed description of the model used to provide estimates of affordable housing requirements in Chapter 5.

PPS3 requires housing market assessments to include estimates of the requirement for affordable housing. In the past, many studies drew on housing need surveys, but these are expensive to carry out, there is a need for care to ensure that samples are representative, and the reliance on expressed preferences may produce estimates of need which are unrealistic. Official guidance now indicates that the use of secondary data sources is appropriate as a complement or alternative to housing need survey data provided the sources used are robust.

A model was developed to provide estimates of affordable housing requirements for housing market areas in Telford & Wrekin using only secondary data sources which were available on a consistent basis and capable of updating without survey work, as distinct from local survey data.

The model was developed in an Excel workbook. Chapter 5 describes the main findings. At present, the model is designed to provide results for the Borough as a whole, but results for sub-areas could be obtained if additional design work were to be carried out.

The main steps in the model are set out in the table below.

Step 1: Estimate backlog need from secondary data		
Methodology	Data sources	Data limitations
<ul style="list-style-type: none"> ▪ Add together the number of households on housing registers, number of homeless acceptances, number of overcrowded households, and estimated numbers of concealed households. ▪ Reduce total backlog need by a factor of one third to allow for overlap between these groups. This factor scales HSSA data on housing registers to regional data from the Survey of English Housing 	<ul style="list-style-type: none"> ▪ Housing register data from Local Authority HSSA returns ▪ Regional data from Survey of English Housing on households with person on a housing register ▪ Overcrowded households from 2001 Census, adjusted using Survey of English housing trends 2001-2006 ▪ Numbers of homeless acceptances from Local Authority homelessness returns ▪ Estimates of concealed households from CLG household forecasts 	<ul style="list-style-type: none"> ▪ Housing registers can be out of date and so over or under-estimate true need, and can contain duplicate entries ▪ Secondary data sources do not break down backlog need into the detailed categories specified in official guidance so this estimate is an approximation of true backlog need

Step 2: Estimate gross number of newly forming households		
Methodology	Data sources	Data limitations
<ul style="list-style-type: none"> ▪ Approach recommended in Strategic Housing Market Assessment Guidance version 2 (August 2007) (Chapter 5, Step 2.1 and Appendix B) 	<ul style="list-style-type: none"> ▪ CLG household projections 	<ul style="list-style-type: none"> ▪ Accuracy of data source

Step 3: Estimate total number of existing households falling into need		
Methodology	Data sources	Data limitations
<ul style="list-style-type: none"> ▪ Flows onto housing registers averaged over the period 2001-2006 as recommended in Strategic Housing Market Assessment Guidance version 2 (August 2007) (Chapter 5, Step 2.3 and Appendix B) 	<ul style="list-style-type: none"> ▪ Local Authority HSSA returns 	<p>Housing registers can be out of date and so over or underestimate true need, and can contain duplicate entries, but averaging data over five year period increases accuracy</p>

Step 4: Separately estimate the income distribution of the three groups of households in need identified in Steps 1-3 at national level		
Methodology	Data sources	Data limitations
<ul style="list-style-type: none"> ▪ Extract data on the national distribution of incomes of households on waiting lists, newly forming households and existing households moving into owner occupation from the Survey of English Housing ▪ Compare the distribution of incomes for these groups with the distribution of incomes for all households to identify differences in average incomes and distribution of incomes 	<ul style="list-style-type: none"> ▪ Survey of English Housing 	<ul style="list-style-type: none"> ▪ Incomes of households on waiting lists used to represent those in backlog need ▪ Incomes of existing households moving into owner occupation with a head aged under 45 used to represent existing households falling into need

Step 5: Estimate average incomes and distribution of incomes for the three groups of

households in need in steps 1, 2 and 3 for each housing market area.		
Methodology	Data sources	Data limitations
<ul style="list-style-type: none"> ▪ Separately for each of the three need groups in Steps 1-3 above, apply data on average incomes and the distribution of incomes derived in Step 4 to local data on average incomes and the distribution of incomes for all households 	<ul style="list-style-type: none"> ▪ CACI Paycheck income estimates aggregated to housing market area level 	<ul style="list-style-type: none"> ▪ Accuracy of data source ▪ Relies on assumption that differences between incomes of the three need groups and incomes of all households at national level will be the same as at housing market area level

Step 6: Estimate purchasing power of each household in need		
Methodology	Data sources	Data limitations
<ul style="list-style-type: none"> ▪ Assume a loan to income ratio (ratio of 3.3 assumed but can be varied) ▪ Assume deposits to be 0.33 times gross household income ▪ Estimate the purchasing power of each household in need identified in Steps 1, 2 and 3 by applying these assumptions to income estimated from Step 5 	<ul style="list-style-type: none"> ▪ From Steps 1-5 ▪ Assumptions on loan to income ratio and deposit derived from CML Mortgage Lending statistics on first time buyer borrowing in 2008. 	<ul style="list-style-type: none"> ▪ CLG good practice guidance advises using ratios of 2.9 (single person household) and 3.5 (two person household) but model does not include a breakdown by household size so overall rate of 3.3 (derived from CML data) applied. ▪ Possible area for future refinement of the model

Step 7: Identify households in affordable need in each need group		
Methodology	Data sources	Data limitations
<ul style="list-style-type: none"> ▪ Identify lower quartile dwelling price for each housing market area, to use as entry level price in calculation of affordable housing requirements, as recommended in Strategic Housing Market Assessment Guidance version 2 (August 2007) (Chapter 5, Step 5.1) ▪ Compare purchasing 	<ul style="list-style-type: none"> ▪ HM Land Registry house price data ▪ From Step 6 	

<p>power of each household in need in Steps 1, 2 and 3 with lower quartile threshold price to calculate number of households in each group in affordable housing need</p>		
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Step 8: Estimate gross number of households in need of affordable housing

Methodology	Data sources	Data limitations
<ul style="list-style-type: none"> ▪ Reduce number of households in backlog affordable need to 20% of total, to allow for meeting backlog needs over a five year period, as recommended in Strategic Housing Market Assessment Guidance version 2 (August 2007) (Chapter 5, Step 3.1) ▪ Obtain estimate of gross households in affordable need by adding together households unable to afford lower quartile threshold priced dwelling from households in backlog need, newly emerging households, and existing households coming into need 	<ul style="list-style-type: none"> ▪ From Step 7 	<ul style="list-style-type: none"> ▪ Authorities may seek to meet backlog need more quickly or slowly

Step 9: Estimate affordable supply

Methodology	Data sources	Data limitations
<ul style="list-style-type: none"> ▪ Assume a proportion of those in backlog need who are rehoused will release an affordable unit for the use of others in affordable need, as recommended in Strategic Housing Market Assessment Guidance version 2 (August 2007). 	<ul style="list-style-type: none"> ▪ Survey of English Housing ▪ Local Authority HSSA returns ▪ CACI Paycheck income estimates ▪ HM Land Registry house price data 	<ul style="list-style-type: none"> ▪ Assumption on release of affordable units by those in backlog need who are rehoused may under or over estimate actual release of affordable units ▪ Assumption of 2006/07 social housing relets may over-estimate supply as relets are on downward

<p>Proportion based on Survey of English Housing data on those on waiting lists in the region who live in social rented housing (excluding cases where a concealed household is on the list), adjusted to take account of HMA level variations in the level of social rented housing in the area</p> <ul style="list-style-type: none"> ▪ Estimate social housing relets (assumed 2006-2007 relets, but can be varied). 		trend.
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Step 10: Obtain net affordable housing requirement		
Methodology	Data sources	Data limitations
<ul style="list-style-type: none"> ▪ Deduct affordable supply (Step 9) from gross affordable housing requirement (Step 8) 	<ul style="list-style-type: none"> ▪ From Steps 8 and 9 	

Step 11: Divide gross affordable housing requirements into need for social rented and intermediate housing, and calculate net need for social rented housing		
Methodology	Data sources	Data limitations
<ul style="list-style-type: none"> ▪ Examine purchasing power of households in affordable need from each need group relative to the lower quartile threshold price, and divide those in affordable need into those able and those unable to buy at 75% of the lower quartile threshold. Assume those unable to buy at this level require social rented housing and those able to buy require intermediate housing ▪ The net need for social rented housing can be obtained by deducting 	<ul style="list-style-type: none"> ▪ From Steps 6 and 7 	<p>Actual costs of intermediate housing can vary substantially depending on the product. This approach assumes an average level of 60% shared ownership or equity loan, together with an allowance of 15% for rent (shared ownership) or annual fees (equity loan).</p>

the affordable supply obtained at Step 9		
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All the assumptions within the model can be varied by changing the necessary inputs and examining the impact on outputs.

For convenience, an additional element of the model enables key assumptions to be tested in terms of their impact on the level of net affordable need over an extended time period without direct modification to inputs. This provides a convenient way of assessing the impact of alternative scenarios. The key factors which can be varied are:

- Annual percentage change in lower quartile dwelling threshold
- Annual percentage change in average household income
- Annual percentage change in supply of affordable housing
- Annual percentage divergence of household formation from 2004-based CLG projection
- Period over which backlog affordable need is met
- Assumptions on purchasing power, based on loan to income ratio and deposit